

# Corporate Responsibility Report

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**Message from the CEO** 199

---

**Corporate Responsibility at Sonova** 201

IntACT – Sonova’s ESG Strategy  
Stakeholder engagement  
Sustainable Development Goals

---

**Strategic areas** 217

Serving society  
Advancing our people  
Acting with integrity  
Protecting the planet

---

**About this CR Report** 270

Reporting profile  
Independent Assurance Report  
GRI content index  
SASB content index

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Sonova CR Report 2020/21

# Message from the CEO

## Dear readers,

In times of crisis, the true essence of an organization and the way it embraces its responsibilities become apparent. Challenged by the global COVID-19 pandemic throughout the last year, businesses had to reveal that sustainability is truly rooted in their organization – and not just a superficial promise.

At Sonova, it has always been our mission to have a positive effect on our consumers' lives. We aspire just as much to have a positive effect on society as a whole. The pandemic has simply confirmed the importance of making environmental, social, and governance (ESG) principles integral to the way we do business.

We are proud to share highlights of our progress in 2020/21 toward achieving our ESG goals: We have further reduced our carbon footprint this year by 17% and driving innovation to address climate change, including opening of one of the first zero-energy commercial buildings in Switzerland. Action on diversity and inclusion is yielding results: at year-end, 34% of all upper and senior management positions were held by women, while across all people leaders the ratio is 49%. Employee engagement remains high despite all challenges to social interaction, with a 83% positive engagement score in our annual survey. And by adding ESG targets to the objectives for the variable cash compensation of the members of our Management Board, we maintain alignment between the interests of the business, the environment, and society.

We are further embedding our ESG commitments across all dimensions of the business and aim to track and optimize our ESG performance with the same intensity as our key financial indicators. As part of this effort, we have launched *IntACT*, an upgrade to our ESG strategy that builds on four key areas: serving society, advancing our people, acting with integrity, and protecting the planet. This Corporate Responsibility Report describes our approach and performance in each of these strategic areas.

We have also introduced an additional range of measurable ESG targets with firm dates for achievement. We aim to achieve carbon-neutral operations by the end of 2021. Through energy savings and the transition to renewable energy, we will align our long-term carbon reduction targets with the Science Based Targets initiative (SBTi) aim to keep global warming below 1.5°C. Social goals include having women hold 40% of upper and senior management positions by 2025. In governance, we are extending and intensifying our long-established system of supplier ESG risk assessment and audits, and establishing a strong digital ethics and cybersecurity function.

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**We are further embedding our ESG commitments across all dimensions of the business and aim to track and optimize our ESG performance with the same intensity as our key financial indicators.**

## MESSAGE FROM THE CEO

We are pleased that our progress in ESG matters has again been validated by indices such as the Dow Jones Sustainability Index and FTSE4Good Indices, and that relevant ratings agencies have described our ESG performance as industry-leading for several years.

As Sonova we are a signatory of the UN Global Compact since 2016 and fully endorse its ten principles governing human rights, labor, environment, and anti-corruption. We also support the Sustainable Development Goals of the United Nations, which define the global sustainable development agenda through to 2030.

In the spirit of continuous improvement and high ambition levels, we will keep advancing on our ESG journey – driving tangible, measurable action and contribute towards a healthy planet and fair society. We look forward to telling you about our progress.

Sincerely,



**Arnd Kaldowski**

Chief Executive Officer



Corporate Responsibility at Sonova

# IntACT – Sonova's ESG Strategy

At Sonova, it has always been our mission to have a positive effect on our consumers' lives. We aspire just as much to have a positive effect on society as a whole. The pandemic has simply confirmed the importance of making environmental, social, and governance (ESG) principles integral to the way we do business.

GRI 102-16

## Vision, values, and culture

Sonova's vision is straightforward and motivates all our activities: We envision a world where everyone enjoys the delight of hearing and therefore lives a life without limitations. Our shared core values drive our daily actions and reflect the corporate culture that defines and unites us as a company across all brands and regions.

- **We care:** We care for our employees, customers, and consumers, as well as our shareholders and society.
- **We drive innovation:** We courageously pioneer new ideas and approaches to come up with impactful innovations, to delight customers and consumers.
- **We strive for excellence:** We act with agility. We aim to excel. We are continuously working on improving products, services, processes, and skills, to realize growth.
- **We take accountability:** We deliver on our commitments. We take accountability to provide outcomes in agreed quality and time, always acting with integrity.
- **We build the best team:** We team up. We grow talent. We collaborate with people of diverse backgrounds to win with the best team in the marketplace.

Our commitment to act responsibly and create long-term value for all our stakeholders is embodied in the Sonova Group Code of Conduct and deeply rooted in our corporate vision, values, and culture. These are a fundamental and integrated element of our ESG strategy, which is our guiding framework for ESG management and reporting at Sonova.

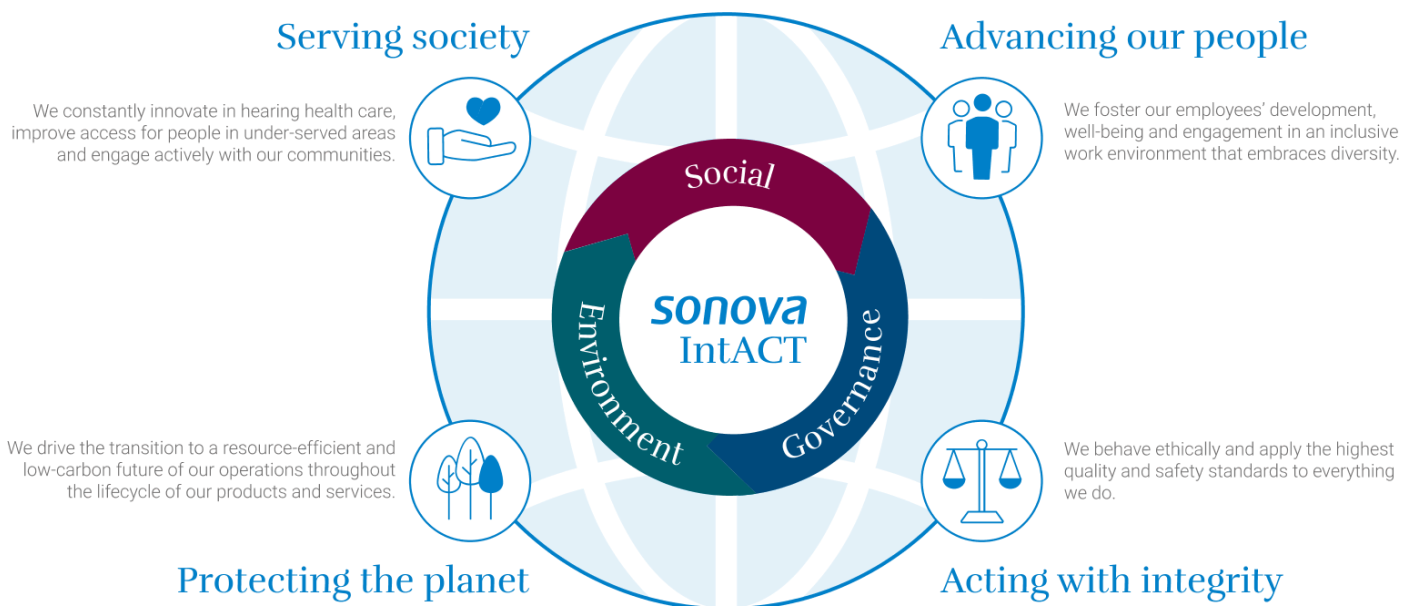


[Sonova Code of Conduct](#)

## IntACT – Sonova's ESG Strategy

Sonova has long been committed to continuous improvement in its environmental, social, and governance responsibilities. We are further embedding our ESG commitments across all dimensions of the business and aim to track and optimize our ESG performance with the same intensity as we do our key financial indicators. As part of this effort, we have launched *IntACT*, an upgrade to our ESG strategy that builds on four key areas: serving society, advancing our people, acting with integrity, and protecting the planet.

- **Serving society:** We constantly innovate in hearing health care, improve access for people in under-served areas, and engage actively with our communities.
- **Advancing our people:** We foster our employees' development, well-being and engagement in an inclusive work environment that embraces diversity.
- **Acting with integrity:** We behave ethically and apply the highest quality and safety standards to everything we do.
- **Protecting the planet:** We drive the transition to a resource-efficient and low-carbon future of our operations throughout the lifecycle of our products and services.



In 2020/21, we have also introduced an additional range of measurable ESG targets with firm dates for achievement. These targets are shown in the table below, together with existing commitments in key ESG topics that we made in previous years, such as increasing employee engagement, improving product reliability rate, and increasing units of hearing aids sold in low- and middle-income countries.

Sonova IntACT elevated ESG commitments

ESG topics	ESG commitments	New/existing	Related SDGs
<b>Serving society</b>			
Access to hearing care	We increase unit sales of hearing instruments in low- and middle-income countries by 50% vs. 2018/19 by 2023/24. <sup>1</sup>	adjusted	3, 4
Access to hearing care	We train and certify 250 hearing care professionals (HCPs) in low- and middle-income countries through the Swiss International Hearing Academy (SIHA) 12-month HCP program by 2022.	new	3, 4
Access to hearing care	We increase lives impacted by the Hear the World Foundation (HTWF) by 10% year-over-year – focusing on children with hearing loss in low- and middle-income countries.	new	3, 4
<b>Advancing our people</b>			
Talent & employee engagement	We achieve the employee engagement rate level of high performing companies by 2022.	existing	5, 8
Talent & employee engagement	We aim for >95% of employees to have a development plan by 2022. <sup>2</sup>	new	8
Diversity & inclusion	We strive for 40% women in key positions by 2025.	new	5
Diversity & inclusion	We train >95% of employees on D&I by mid 2021.	new	5
<b>Acting with integrity</b>			
Product quality, safety and reliability	We improve the product reliability rate >20% year-over-year for hearing instruments (HI) and cochlear implants (CI). <sup>3</sup>	existing	3, 9
Human rights & labor practices	We implement human rights due diligence (HRDD) aligned with international frameworks and train all relevant employees by 2022.	new	8, 16
Business ethics & legal compliance	We achieve annual on-time mandatory employee Global Compliance training completion rate of >98%. <sup>4</sup>	adjusted	8, 16
Data privacy & digital ethics	We establish a digital ethics committee by 2021.	new	8, 9, 16
<b>Protecting the planet</b>			
Energy & climate	We reduce greenhouse gas emissions relative to revenue by 50% compared to 2017 by 2022. <sup>5</sup>	existing	7, 9, 12, 13
Energy & climate	We achieve carbon-neutral operations by 2021.	new	7, 9, 12, 13
Energy & climate	We assess the potential effects of climate change on Sonova and define actions to improve our climate resilience by 2021.	new	13
Eco-friendly products	We reduce packaging waste by 20% vs. 2020 by 2023.	new	12, 13

<sup>1</sup> In 2020/21, the target date for achieving the 50% increase was adjusted by one year from 2022/23 to 2023/24 due to COVID-19 impact on the hearing care market.  
<sup>2</sup> Excluding job roles in production/assembly.  
<sup>3</sup> The HI product reliability rate includes Receiver-In-Canal (RIC), Custom In-The-Ear (ITE) and Behind-The-Ear (BTE) hearing instruments. The CI product reliability includes Naida pediatric sound processors.  
<sup>4</sup> The target was adjusted in 2020/21 from >95% to >98%.  
<sup>5</sup> Scope 1&2 + air-travel related Scope 3 emissions.

## ESG Governance

Sonova has established an ESG Council to oversee and further develop the Group’s ESG strategy, including its commitments and targets. The Council also monitors progress on key performance indicators and initiatives. It meets at least quarterly and consists of the Group CEO, selected members of the Management Board, the Group General Counsel & Compliance Officer, and the Corporate Responsibility team. Progress on ESG targets is also regularly reviewed by the full Management Board and are an element of each member’s variable compensation. The Board of Directors approves the ESG strategy, initiatives, and targets and receives progress updates on at least a yearly basis.

GRI 102-18, GRI 102-19, GRI 102-20, GRI 102-26, GRI 102-27, GRI 102-29, GRI 102-31, GRI 102-32



Good governance is supported by a regular dialogue on ESG topics with proxy advisors, investors, and rating agencies, and by Sonova's continuous and active risk management and compliance functions.

Sonova's Corporate Responsibility team provides expertise and advice to the Management Board on relevant ESG topics and drives the implementation of the ESG strategy and group-wide initiatives in close collaboration with internal experts. These are functional experts linked to Group-wide business functions as well as country or regional experts, representing Sonova Group companies within a given territory and driving ESG initiatives locally.

## Material ESG topics

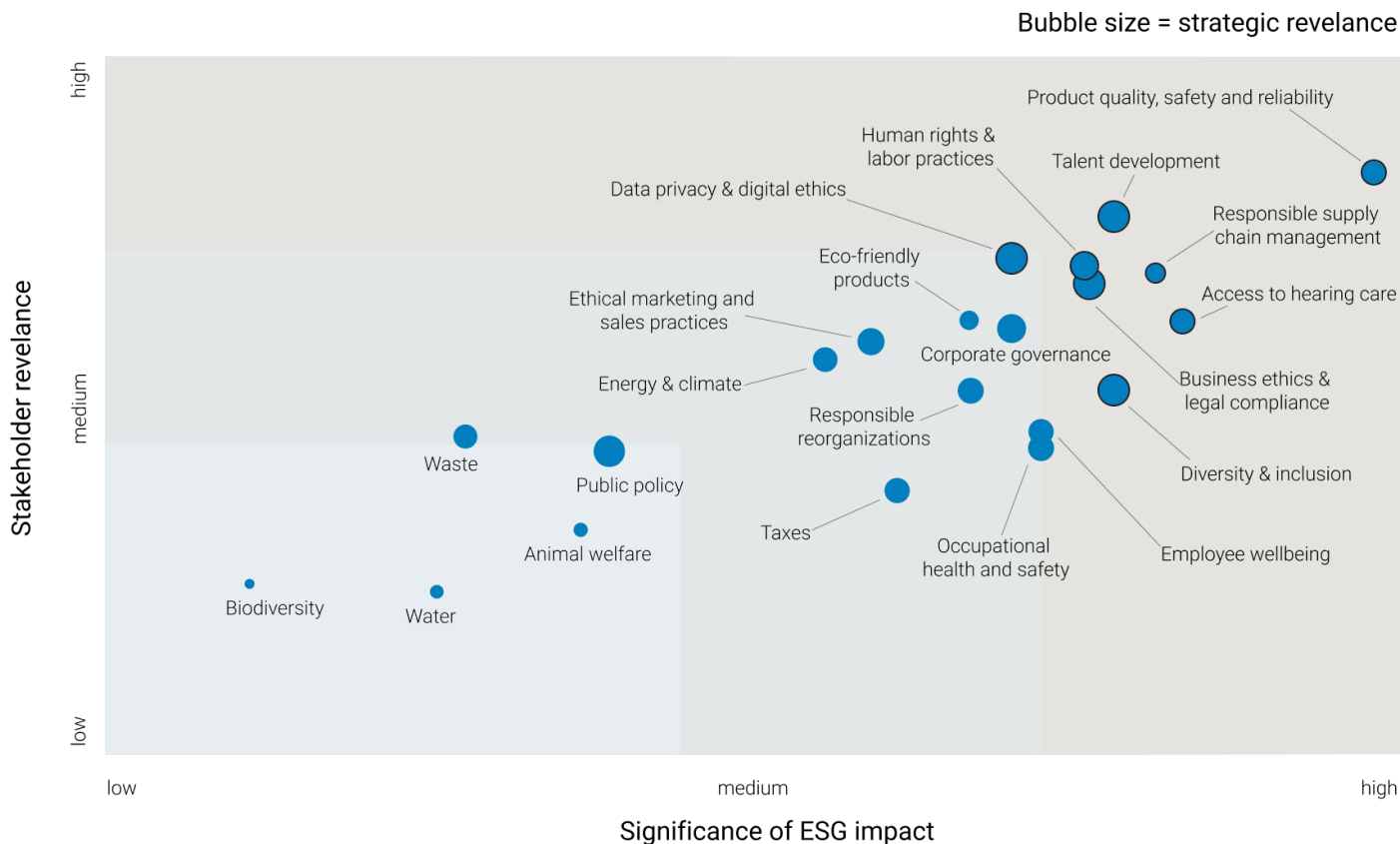
### Materiality assessment

Sonova regularly assesses expectations of its key stakeholders, as well as the environmental, social, and governance (ESG) topics that present the greatest risks and opportunities. The last materiality assessment and update of the Sonova materiality matrix was conducted in 2019/20. For this, Sonova drew on a number of sources to compile a broad initial list of ESG topics that could be considered relevant to the organization's impact, or could be influential in its stakeholders' views and decisions. Our sources included global frameworks and standards, such as the Global Reporting Initiative (GRI) Standards, the Sustainability Accounting Standards Board (SASB) industry standards or the UN Sustainable Development Goals (SDGs), peer reviews, public media, investor and ESG analyst feedback, customer and employee surveys, industry reports, stakeholder interviews, as well as existing and upcoming international, governmental, and industry regulations, standards, and agreements. We reviewed the results and consolidated the most important topics into a list of 21.

These 21 topics were ranked by key internal and external stakeholders on the basis of personal interviews and online surveys in three dimensions: relevance of the topic to the stakeholder, significance of Sonova's impact on the topic, and strategic relevance to Sonova. To determine the stakeholder relevance and influence of each topic on stakeholder expectations and decisions, we identified internal and external representatives of our key stakeholder groups who then assessed the relevance of each topic. When selecting the representatives, we took into account a balanced representation of the different geographical regions and Sonova businesses. The significance of Sonova's impact for each topic was assessed by external experts with relevant experience in the respective fields. The strategic relevance of each topic was assessed in individual internal interviews including the Group CEO, the Vice President Corporate Strategy, and the Head of Internal Audit & Risk.

The result of the materiality assessment is visualized in the materiality matrix. Our analysis identified eight focus topics, which we prioritize when evaluating our activities and identifying measures to further improve our performance. We will use the insights of the materiality assessment to prompt further discussions identifying risks and opportunities with key internal and external stakeholders, and to align our activities ever more closely with our business strategy and expectations of key stakeholders.

We acknowledge that the COVID-19 pandemic put more emphasis on selected ESG topics, such as occupational health and safety, access to hearing care, human rights and labor practices, and responsible supply chain management. Since the overall prioritization of the ESG topics in Sonova's materiality matrix remains valid, we decided not to modify it in 2020/21. The next adjustments are planned as part of the next regular major review of our materiality assessment.



### Consolidation

We further consolidated the ESG topics identified in the materiality assessment into four strategic areas of Sonova *IntACT*, our enhanced ESG strategy. This Corporate Responsibility Report is therefore organized according to these four strategic areas. The connections between the detailed topics from the materiality matrix and the consolidated strategic areas are outlined below:

- **Serving society:** Access to hearing care.
- **Advancing our people:** Talent development, diversity and inclusion, occupational health and safety, employee wellbeing, responsible reorganizations.
- **Acting with integrity:** Product quality, safety and reliability, responsible supply chain, human rights and labor practices, business ethics and legal compliance, data privacy and digital ethics, corporate governance, ethical marketing and sales practices, taxes, public policy, animal welfare.
- **Protecting the planet:** Energy and climate, eco-friendly products, waste, water, biodiversity.

### Topic boundaries

The Sonova ESG Strategy is defined by its relevance to the whole Sonova Group. All defined topics are therefore assumed to be material to all or nearly all of the entities covered by this report. Sonova assigns the impacts of each material ESG topic to its appropriate stage or stages of the value-creation process, from raw material supply to after-sales refurbishing or recycling. Impacts which occur partly or primarily outside the organization relate either to upstream activities (topics: responsible supply chain, human rights and labor practices, energy and climate) or to downstream activities, such as the utilization of our products and services (e.g. access to hearing care, product quality, safety and reliability, data privacy and digital ethics, ethical marketing and sales practices, eco-friendly products).



Validation

The ESG strategy aligns closely with our long-term business strategy as well as the United Nations Sustainable Development Goals (SDGs) and is reviewed regularly both at the highest management level and at meetings of the Board of Directors. Both the Management Board and the Board of Directors assess the ESG strategy's completeness and effectiveness, based both on annual reporting and on ad-hoc updates about specific initiatives.

GRI 103-2, GRI 103-3

## Management approach and performance

Below is an overview of selected key 2022/23 ESG targets defined in previous years and the progress we have made towards achieving our targets.

Priority goals/KPIs	Related SDGs	Strategic areas	Targets (target year)	2020/21 performance	2019/20 performance
Increase unit sales of hearing instruments in low- and middle-income countries by 50% vs. 2018/19 by 2023/24. <sup>1</sup>	3, 4	Serving society	50% vs. base year 2018/19 (target year 2023/24)	0.4% vs. base year 2018/19	1.1% vs. base year 2018/19
Achieve the employee engagement rate level of high performing companies by 2022/23.	5, 8	Advancing our people	level of high performing companies (target year 2022/23)	4% gap to high performing companies (Sonova 83% engagement)	4% gap to high performing companies (Sonova 83% engagement)
Improve product reliability rate >20% year-over-year for hearing instruments (HI) and cochlear implants (CI). <sup>2</sup>	3, 9	Acting with integrity	HI: >20% (each year) CI: >20% (each year)	HI: 21% CI: 32% vs. previous year 2019/20	HI: 4% CI: 27% vs. previous year 2018/19
Achieve annual on-time mandatory employee Global Compliance training completion rate of >98%. <sup>3</sup>	8, 16	Acting with integrity	>98% (each year)	95.9%	95.3%
Reduce greenhouse gas emissions relative to revenue by 50% compared to 2017 by 2022. <sup>4</sup>	7, 9, 12, 13	Protecting our planet	-50% vs. base year 2017 (target year 2022)	-39% vs. base year 2017	-21% vs. base year 2017

<sup>1</sup> In 2020/21, the target date for achieving the 50% increase was adjusted by one year from 2022/23 to 2023/24 due to COVID-19 impact on the hearing care market.

<sup>2</sup> The HI product reliability rate includes Receiver-In-Canal (RIC), Custom In-The-Ear (ITE) and Behind-The-Ear (BTE) hearing instruments. The CI product reliability includes Naida pediatric sound processors.

<sup>3</sup> The target was adjusted in 2020/21 from >95% to >98%.

<sup>4</sup> Scope 1&2 + air-travel related Scope 3 emissions.

More information on all Sonova's material ESG topics is available in the corresponding sections of this CR Report:

- [Serving society](#)
- [Advancing our people](#)
- [Acting with integrity](#)
- [Protecting the planet](#)

Each describes the relevant management approach and its components (e.g. processes, policies, resources, commitments, goals and targets, specific actions, programs or initiatives), along with the evaluation of the effectiveness of the management approach (e.g. internal/external audits, key performance indicators, progress in implementation of specific actions), as well as its contributions to the contributions to the SDGs.



Corporate Responsibility at Sonova

# Stakeholder engagement

Sonova strives to engage in an open and transparent dialog with its stakeholders. We actively initiate dialog through a broad range of channels as a way to promote participative and integrated decision-making.

GRI 102-40, 102-42

## Stakeholder groups

Sonova understands how the involvement of stakeholders supports our long-term success by enhancing transparency, broadening knowledge, and generating innovative solutions. Sonova identifies and selects relevant stakeholders for further dialog and engagement based on our existing stakeholder-facing activities and on information gathered from internal staff interviews and management workshops. We regularly interact with our current stakeholders to define their specific interests in our business activities, products and services and their influence over our decisions. Sonova has defined five key stakeholder groups:

- Customers and consumers
- Employees
- Shareholders
- Suppliers
- Academia and opinion leaders

Further stakeholder groups important to Sonova are:

- Financial community
- Media
- Regulators
- Insurers
- Competitors and industry

## Approach to stakeholder engagement

GRI 102-43

Sonova's first and foremost priority in the response to COVID-19 has been to protect the health and safety of our employees and their families, as well as our customers, consumers and partners. We have taken accountability as a global company, helping to limit – to the best of our abilities – further spread of this virus, while ensuring that people in need have continued access to hearing care. We have sustained engagement with key stakeholders throughout these challenging times, while also taking proactive steps to safeguard Sonova's financial health, maintain employment, and continue sustainable operations.

Below you find information and examples of Sonova's regular engagement activities with our different stakeholder groups. The latest engagement with our key stakeholders related to the ESG materiality assessment was in 2019/20.

### Customers and consumers

Our customers and consumers stand at the center of our business. Our business model is built on business-to-business (hearing care professionals, clinics, retailers) and business-to-consumer (end users, patients) relationships. Sonova establishes specific channels of engagement appropriate to the differing needs of each of these groups.

We ensure continuous dialog with our business-to-business customers through our sales representatives, brand tracker surveys, customer satisfaction surveys, advisory network, knowledge management and sharing, customer hotline and support, audiology conferences, online customer communities, and complaint management channels. We provide a broad range of professional training and courses that address the various specializations in the hearing care industry. We also organize e-learning seminars, road shows, face-to-face in-clinic training, and technical marketing material to help transfer our knowledge and train hearing care specialists. We conduct an annual worldwide customer survey to ensure satisfaction and loyalty of our customers. Based on this data, the Customer Satisfaction Index (CSI) is calculated and expressed on a scale between 0 and 100, the latter being the best. In 2019/20, the CSI was 79 (2018/19: 80). Due to COVID-19, only a reduced version of the annual customer survey was carried out. The next full global customer survey will be conducted in 2021/22.

We engage with end users and patients through satisfaction surveys and different communities such as the Phonak Pediatric Advisory Board, HearingLikeMe.com, or Advanced Bionics' Bionic Ear Association (BEA™). The Phonak Pediatric Advisory Board was founded in 1998 to help steer Phonak's pediatric product development and establish and recommend industry-best practices to support the needs of children with hearing loss and ensure optimal outcomes for them. Members of the Pediatric Advisory Board include parents of children with hearing loss, researchers and professors in pediatric audiology, as well as master pediatric clinicians. HearingLikeMe.com is an online community for people whose lives are affected by hearing loss. The website contains stories written by people with hearing loss, their family members, or hearing care professionals. BEA™ is a community of hearing health professionals and cochlear implant recipients that aims to improve the quality of life of individuals with severe-to-profound hearing loss by providing valuable information, education, and awareness on cochlear implants.

### Employees

Sonova's employees are key to its success. Sonova actively engages with its employees e.g. through its annual employee engagement survey called "HearMe" and through its annual appraisal and development process. The employee appraisal and development meeting is an essential process to assess satisfaction, provide feedback, and define expectations for behavior and performance. It supports each employee's personal and professional development and helps to build trusting relationships by providing a format

GRI 102-41

for open dialog. We estimate that around 30% of Sonova's global workforce is represented by an independent trade union or covered by collective bargaining agreements.

### Shareholders

Sonova has 19,102 registered shareholders, who together own 66.37% of the total shares. Shareholders' interests are represented by the Board of Directors, which sets and oversees the general direction of the company. We publish an Annual Report for shareholders and other stakeholders, and hold an Annual General Shareholders' Meeting, which provides a forum for discussion and debate as well as an opportunity to vote on compensation for management and the Board of Directors. Each share entered in the share register with a voting right entitles the holder to one vote at the Annual General Shareholders' Meeting.

### Suppliers

Suppliers are an integral part of Sonova's value chain. Our relationship with our suppliers is governed by Sonova's Group Supplier Principles (SGSP), which are based on a range of international standards, customer requirements, and industry characteristics. We assess all new suppliers on their management systems. We regularly audit and visit suppliers and inspect their management capabilities through employee interviews and on-site inspections.



[Sonova Group Supplier Principles \(SGSP\)](#)

### Academia and opinion leaders

Sonova's know-how and history of innovation is reflected in its strong partnerships with leading academic institutions and opinion leaders around the world. We collaborate intensively with universities such as the University of Zurich, the University of Hannover (Germany), the University of Oldenburg (Germany), Vanderbilt University in Nashville (US), the University of Melbourne (Australia), the University of Queensland (Australia), the University of Western Ontario in Waterloo (Canada), the Swiss Federal Institutes of Technology (ETH) in Zurich and Lausanne, and the University of Manchester (UK). We foster a close collaboration with these partners by offering support toward diploma theses for Master's degree or PhD students. We do not just support studies financially, but, when appropriate, participate in the actual work by closely collaborating on research projects. Sonova experts also actively engage in the scientific community by participating in seminars and conferences as well as by co-authoring scientific studies in journals.

### Financial community

As a publicly listed company, Sonova pursues an open and active information policy. A governing principle of this policy is to treat all stakeholders alike and to inform them at the same time. We actively interact with the financial community at roadshows, conferences as well as at investor meetings and conference calls. Sonova holds an Investor and Analyst Day every year at its headquarters in Stäfa. Because of restrictions related to the COVID-19 pandemic, last year's event took place in a virtual format with a record number of around 200 attendees signing up to join the live webcast. We also hold regular exchanges with environmental, social and governance (ESG) investors and rating agencies.

### Media

Sonova drives and maintains strong relationships with a variety of media representatives to ensure transparency, dialog, and accountability for all its activities. The media relations team works globally with top-tier public interest media, trade and special interest media, financial and economic media, and the major wire services to ensure fair disclosure of information to all stakeholders, creating – among other topics – awareness of hearing loss and its implications as well as informing on key aspects of Sonova's business and sustainability performance. We proactively distribute and publish press releases, e.g. on our corporate website, organize press conferences, media trips, events or respond to requests when journalists are developing stories.

## Regulators

Most of Sonova's products are regulated medical devices, which means that the company must meet statutory patient safety standards and functional performance claims with clinical evidence. We recognize our responsibility to share our specialist knowledge in external working groups to help define, on behalf of our customers, the regulatory principles that will ensure the highest quality standards for hearing instruments and cochlear implants.

## Insurers

Governments and social institutions such as the Veterans Administration in the United States and the National Health Service in the United Kingdom, as well as public and private insurance providers, all contribute to improve access to hearing care. Sonova regularly participates in tender processes and offers its products and services to help insurers receive the best hearing value for their money.

## Competitors and industry

Sonova's competitors aim to gain market share. This competition generates improved service for customers and drives Sonova to push yet further the limits of technology. We are committed to fair competition, defined in detail in Sonova's Global Competition Law Policy. Sonova interacts with representatives from competitors e.g. through membership in industry associations such as the European Hearing Instrument Manufacturers Association (EHIMA), which represents the major European hearing instrument manufacturers.

GRI 102-44

# Key topics and concerns raised

Key topics and concerns raised through stakeholder engagement are included in our materiality analysis, ESG strategy and respective reporting activities. The 2019 materiality assessment identified eight ESG topics with the highest relevance for Sonova, which are listed below. The stakeholder groups which assigned a comparatively high relevance to the specific topic are indicated in brackets.

- Product quality, safety and reliability (customers and consumers, regulators and governments, industry and competitors, investors, public)
- Business ethics and legal compliance (regulators and governments, industry and competitors, investors)
- Responsible supply chain (suppliers, industry and competitors, regulators and governments)
- Human rights and labor practices (regulators and governments, industry and competitors, public)
- Access to hearing care (customers and consumers, regulators and government, employees)
- Talent development (employees, industry and competitors, investors)
- Diversity and inclusion (employees, regulators and governments, public)
- Data privacy and digital ethics (customers and consumers, public, investors)

Further information on how Sonova has responded to those key topics and concerns are provided in the section "[IntACT – Sonova's ESG Strategy](#)" of this CR Report and the respective chapters on the four strategic areas.





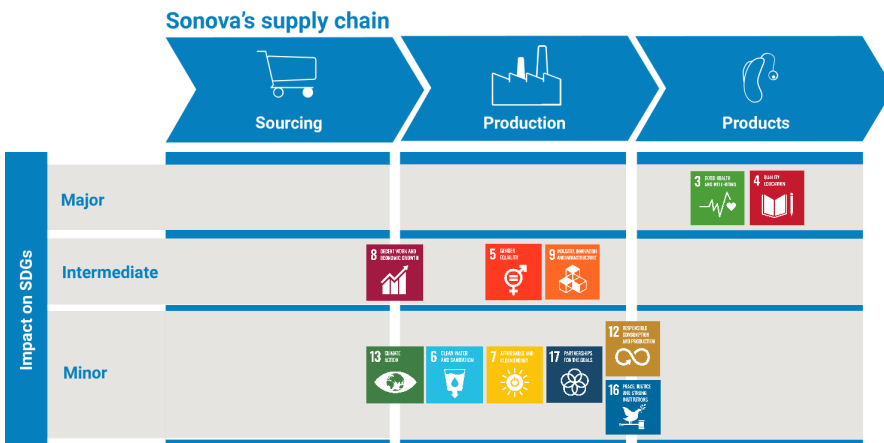
Corporate Responsibility at Sonova

# Sustainable Development Goals

Seventeen sustainable development goals (SDGs) comprise the UN's global sustainable development agenda for the years until 2030. Sonova has been a signatory of the UN Global Compact since 2016 and actively supports the achievement of the SDGs.

## Sonova's contribution to the United Nations Sustainable Development Goals (SDGs)

Our analysis of Sonova's direct or indirect impact on the SDGs, with their 169 targets and indicators, has revealed that through Sonova's solutions, we make the largest contributions to SDGs 3 (good health and wellbeing) and 4 (quality education). We conduct business in a responsible way and thereby also positively influence SDGs 5, 8, and 9. We have limited and less direct impact on goals 6, 7, 12, 13, 16, and 17.



## Priority SDGs

### Good health and well-being (SDG 3)

The third development goal focuses on ensuring healthy lives and promoting well-being for people of all ages. The importance of good hearing and the consequences of hearing loss are still underestimated, although people with untreated hearing loss often face serious consequences. These range from disadvantages at work to relationship problems and social isolation, which may even lead to depression. As well as its impact on the individual, untreated hearing loss puts a heavy cost burden on society.

SDG 3 is well aligned with our vision: a world where everyone enjoys the delight of hearing and lives a life without limitations. Sonova contributes to the achievement of the following SDG 3 targets:

- 3.8: "Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all."
- 3.C: "Substantially increase health financing and the recruitment, development, training and retention of the health workforce in developing countries, especially in least developed countries and small island developing States."
- 3.D: "Strengthen the capacity of all countries, in particular developing countries, for early warning, risk reduction and management of national and global health risks."

### Quality education (SDG 4)

The fourth development goal is about ensuring an inclusive and quality education for all and promoting lifelong learning. To be able to follow a lifelong educational path, it is essential for children to have a good start. Children with untreated hearing loss, however, face severe difficulties, since development of speech and language is fundamentally dependent on the sense of hearing. Untreated hearing loss among children can greatly limit speech, cognitive development, and school performance. Children with hearing loss often grow up unable to find work and become trapped in a cycle of poverty and isolation.

Sonova offers innovative and easy-to-use products especially designed for children. Our philanthropic engagement at Group level has a strong focus on increasing access to hearing care in low- and middle-income countries especially for children, mainly through donations supporting the charitable Sonova Foundation – initiated by Sonova in 2006 – with funding, expertise, and hearing solutions, which contributes to the achievement of the following target of SDG 4:

- 4.5: "By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations."



You can read more about our targets and performance related to this SDG in the corresponding sections of this CR Report: [Serving society](#) and [Acting with integrity](#).



You can read more about our targets and performance related to this SDG in the corresponding section of this CR Report: [Serving society](#).

## Medium impact on SDGs

### Gender equality (SDG 5)

The fifth SDG aims at achieving gender equality and empowering all women and girls. Sonova is committed to gender equality among its employees, does not tolerate harassment and discrimination, and supports the compatibility of pursuing a career and raising a family by promoting flexible working models. Thereby Sonova contributes to the following SDG 5 targets:

- 5.1: "End all forms of discrimination against all women and girls everywhere."
- 5.4: "Recognize and value unpaid care and domestic work through the provision of public services, infrastructure and social protection policies and the promotion of shared responsibility within the household and the family as nationally appropriate."
- 5.5: "Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life."

### Decent work and economic growth (SDG 8)

Goal number eight is to promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all. Through our innovative products, we support people with hearing loss to actively participate in working life. Sonova also provides reasonable accommodation in its job application procedures for young people and qualified individuals with disabilities. We respect and support human rights, a responsibility reflected in our Code of Conduct and Group Supplier Principles and embedded in the company's culture. Sonova contributes to the following SDG 8 targets:

- 8.2: "Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labor-intensive sectors."
- 8.5: "By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value."
- 8.6: "By 2020, substantially reduce the proportion of youth not in employment, education or training."
- 8.7: "Take immediate and effective measures to eradicate forced labor, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labor, including recruitment and use of child soldiers, and by 2025 end child labor in all its forms."
- 8.8: "Protect labor rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment."

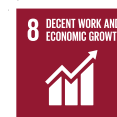
### Industry, innovation and infrastructure (SDG 9)

SDG 9 has the aim to build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation. As a medical technology company with ambitious growth targets, we are committed to consumer-centered innovation and contribute to inclusive and sustainable industrialization by investing significantly in research and development and reducing our global environmental impact. We contribute to the following SDG targets:

- 9.2: "Promote inclusive and sustainable industrialization and, by 2030, significantly raise industry's share of employment and gross domestic product, in line with national circumstances, and double its share in least developed countries."
- 9.4: "By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities."



You can read more about our targets and performance related to this SDG in the corresponding section of this CR Report: [Advancing our people](#).



You can read more about our targets and performance related to this SDG in the corresponding sections of this CR Report: [Advancing our people](#) and [Acting with integrity](#).



You can read more about our targets and performance related to this SDG in the corresponding sections of this CR Report: [Acting with integrity](#) and [Protecting the planet](#).

- 9.5: "Enhance scientific research, upgrade the technological capabilities of industrial sectors in all countries, in particular developing countries, including, by 2030, encouraging innovation and substantially increasing the number of research and development workers per 1 million people and public and private research and development spending."

## Limited impact on SDGs

### Environmental topics (SDGs 6, 7, 12, and 13)

The common thread in these SDGs is the safeguarding of our shared environment by reduction of environmental pollution, waste, and water use; efficiency and renewable sourcing in energy use; and abatement of climate change-related emissions. Sonova makes an explicit commitment to continuously promote and pursue environmentally friendly practices throughout the entire lifecycle of its products and across all its business activities. The SDG targets that have some relevance to our own environmental policies include:

- 6.3: "By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally."
- 6.4: "By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity."
- 7.2: "By 2030, increase substantially the share of renewable energy in the global energy mix."
- 7.3: "By 2030, double the global rate of improvement in energy efficiency."
- 12.2: "By 2030, achieve the sustainable management and efficient use of natural resources."
- 12.4: "By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment."
- 12.5: "By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse."
- 12.6: "Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle."
- 12.7: "Promote public procurement practices that are sustainable, in accordance with national policies and priorities."
- 12.8: "By 2030, ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyles in harmony with nature."
- 13.2: "Integrate climate change measures into national policies, strategies and planning."
- 13.3: "Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning."

### Peace, justice and strong institutions (SDG 16)

The goal of SDG 16 is to promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable, and inclusive institutions at all levels. Sonova is committed to high standards of integrity in dealing with its business partners and to compliance with all applicable anti-bribery laws. Sonova has identified one SDG 16 target as relevant to its business:

- 16.5: "Substantially reduce corruption and bribery in all their forms."



You can read more about our targets and performance related to these SDGs in the corresponding section of this CR Report: [Protecting the planet.](#)



You can read more about our targets and performance related to this SDG in the corresponding section of this CR Report: [Acting with integrity.](#)

## Partnerships for the goals (SDG 17)

SDG 17 aims at strengthening the means of implementation and revitalizing the global partnership for Sustainable Development. We support multi-stakeholder partnerships through our membership in the UN Global Compact and our ongoing dialog with stakeholders to enhance transparency, broaden knowledge, and generate innovative solutions. Sonova contributes to the following SDG 17 targets:

- 17.16: "Enhance the global partnership for sustainable development, complemented by multi-stakeholder partnerships that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries."
- 17.17: "Encourage and promote effective public, public-private and civil society partnerships, building on the experience and resourcing strategies of partnerships."



You can read more about our targets and performance related to this SDG in the corresponding sections of this CR Report: [Stakeholder engagement](#) and [Serving society](#).





Strategic areas

# Serving society

We constantly innovate in hearing health care, improve access for people in under-served areas and engage actively with our communities.



### Sonova and the United Nations Sustainable Development Goals (SDGs)

Through this strategic area, Sonova contributes to SDGs 3 and 4. More information is provided in the corresponding section of this CR Report: [Sustainable Development Goals](#).

## Hearing – an underestimated topic

### Global prevalence of hearing loss and consequences

The importance of good hearing and the consequences of hearing loss continue to be underestimated. Unaddressed hearing loss is among the three largest causes of years lived with disability (YLD) around the globe, and yet it remains an “invisible disability” with approximately 1.5 billion people – 20% of the global population – experiencing some degree of hearing loss, according to the World Health Organization (WHO) statistics.<sup>1</sup>

Over 5% of the world’s population – 430 million people – experience moderate or higher grades of hearing loss<sup>2</sup>; nearly 30 million have profound or complete hearing loss in both ears. The number of people with hearing loss continues to rise, due both to the aging of populations and to growing noise pollution in our environment. WHO estimates that by 2050, 2.5 billion people (1 in every 4) will experience hearing loss, and over 700 million people will require hearing care due to a moderate or higher grade of hearing loss<sup>1</sup>.

People with untreated hearing loss are often faced with serious consequences. These range from adverse effects on personal relationships to disadvantages at work and social isolation, which may even lead to depression. Especially severe are the consequences for children with untreated hearing loss, as the development of speech and language is fundamentally dependent on the sense of hearing. Untreated hearing loss also is often associated with academic underachievement, which can lead to lower job performance and fewer employment opportunities later in life.

In addition to the impact of hearing loss at an individual level, untreated hearing loss puts a heavy cost burden on society. Direct and indirect costs related to unaddressed hearing loss are estimated at USD 980 billion annually, of which more than 50% are borne by low- and middle-income countries in direct health costs, loss of productivity, and societal costs<sup>1</sup>. Today’s hearing solutions offer the opportunity to reduce this burden significantly.

# 20%

of the world’s population experience some degree of hearing loss<sup>1</sup>



## Need for hearing solutions

The fundamental need for hearing solutions is driven by long-term socioeconomic factors. The number of people on our planet will continue to increase. Although populations in low- and middle-income countries are expected to grow the most, even high-income countries with stable populations will face a growing proportion of elderly citizens, who are likely to experience hearing loss. These developments increase demand for hearing care: a large unmet need remains.

According to WHO statistics, approximately 80% of people with moderate or higher grades of hearing loss live in low- and middle-income countries, with the most affected regions being the Western Pacific, South-East Asia, and the Americas<sup>1</sup>. People in such countries often have little or no access to audiological services, and the hearing care market is still relatively underserved. WHO estimates that total current hearing aid production worldwide would meet only around 3% of the need in low- and middle-income countries<sup>3</sup>. This situation presents substantial opportunities to increase access to hearing care.

- 1) WHO, "World Report on Hearing" (2021)
- 2) In 2021, the WHO has adapted its grading system on the severity of hearing loss. The threshold for moderate hearing loss is 35dB in the better hearing ear.
- 3) WHO, "Factsheet: deafness and hearing loss" (March, 2020)

# Innovative hearing solutions

## Broad product portfolio

The hearing care market is highly diverse, requiring a broad range of technologically advanced solutions and versatile customer service channels. Our declared goal is to offer the most innovative hearing solutions and services available to consumers worldwide, continuously improving speech intelligibility, sound resolution and quality, and ease of use. The comprehensive, interdisciplinary knowledge that we acquire in the process is factored into each of our products. It also enables us to offer a broad spectrum of service and pricing levels for individual needs and different markets in countries of all income levels.

In 2020/21, 61 new patent applications were filed across the Sonova Group. By the end of March 2021, Sonova owned in total over 1,800 active granted patent and design rights.

## Digital solutions

In addition to improving audiological quality and ease of operation, Sonova continuously expands digital solutions that bring together the healthcare provider and the consumer in real time through all stages of the hearing journey. From online-based histories and customer support to remote adjustment and optimization under real-life conditions, digitally networked solutions offer consumers a higher degree of control and autonomy. Wherever users might be, their audiologist can be by their side online, directly capturing data on the specific audiological situation and providing immediate assistance. Continuous data monitoring and statistical analysis of listening situations allow user-specific fine tuning, as well as more targeted advice.

A key example is the myPhonak app, which gives wearers an enhanced and personalized hearing experience, including remote support, fitting, and control, as well as advanced customization options such as noise reduction and speech focus.

To complement our strong R&D hubs in Stäfa and around the world, we announced in November 2019 the opening of the Sonova Innovation Lab in Waterloo, Ontario, Canada, where we explore new digital capabilities in one of the leading consumer app development centers in North America, bringing together experts from our various specialties with people from the mobile industry to accelerate our app development.

## Partnerships and collaborations

At Sonova, we consider interdisciplinary collaboration as the guarantor of progress – and essential for such a complex subject as hearing. A key area of our innovation strategy is therefore establishing and promoting international networks, which pool the expert knowledge of leading research bodies, hospitals, companies, and institutions, and bring it to fruition in new hearing solutions.

Long-term partnership and open exchange are the hallmarks of our collaboration with over fifty top-class universities and centers of excellence and technology. The focus of this interdisciplinary work is to leverage all potential for innovation: broadening understanding of auditory perception and cognitive processing, driving forward digital signal processing and miniaturization of electronics, improving material and implantation technologies, and researching the potential of bionics. We work especially closely with the international groups of experts from the Pediatric Advisory Board to develop hearing solutions that counteract hearing loss in early childhood and at the same time include and support the entire family.

>50

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number of scientific collaborations

## Accessibility and affordability

### Distribution network

Innovation is not limited to products – it also drives the way we approach the market, both through our wholesale companies and our audiological care network. Operating through many channels multiplies the potential paths to hearing in all markets, even in parts of the world where hearing care has been in short supply. Our Audiological Care business represents the second-largest store network in the industry, with a clear path to further growth. We operate a global network of about 3,300 stores and clinics in 20 key markets.

The severe COVID-19 related restrictions in many markets, aimed at slowing the spread of the virus, had an impact on the entire hearing care industry, including Sonova as a market leader. Audiology stores – the primary distribution channel for hearing care products and services to consumers – had their operating hours reduced or were temporarily closed. Senior citizens, who account for a large proportion of hearing care consumers, are part of the high-risk group for COVID-19 and were asked to stay at home to protect their health. Elective surgeries, including cochlear implants, were deferred in many countries.

Our utmost priority is to protect our employees, their families, our customers, consumers, and partners. At the same time, hearing remains a fundamental human need. Sonova has been working hard to ensure continued access to necessary hearing care and solutions in compliance with regulations. We are aware of our responsibilities, especially towards elderly consumers, and have therefore taken strict precautions. Employees supporting people who need hearing care all work compliantly while giving top priority to safety, health, and hygiene.

### Access in remote areas

One example of Sonova's efforts to increase access to hearing care for people living in rural areas is the TeleAudiology model, pioneered by Triton Hearing, a Sonova Group company in New Zealand. Despite Triton's nationwide network of 70 clinics across the country, many New Zealanders still find seeing an audiologist difficult, especially in communities of indigenous people living in remote areas. Triton fitted out two buses with state-of-the-art diagnostic hearing equipment and turned them into mobile, full-service hearing clinics.

A hearing care professional provides the in-room support, including performing video otoscopy, positioning transducers, and handling hearing aids. Through TeleAudiology, clients are connected with audiologists over a high-definition teleconferencing system. It is possible to provide a full diagnostic assessment, hearing and communication needs

assessment, impression taking, hearing aid fitting and verification, purchase, and follow-up services through a synchronous, live connection. Although the COVID-19 pandemic restricted the activities of the mobile hearing clinic buses during the past year, digital solutions, such as remote support, were strongly enhanced to maintain service to people in remote areas.

### Customized solutions

We develop dedicated products and services for underserved markets. For example, around 1.3 billion people around the world speak a Sinitic language such as Mandarin or Cantonese<sup>1</sup>. These are tonal languages, where the basic frequencies communicate the information content of words. To better understand the specific needs of Chinese people with hearing loss, we are working with China’s largest hospital, the Tongren Hospital in Beijing. The result is a specific prescription formula for the amplification/frequency curve shapes of tonal languages – or, to put it more simply, hearing aids offering significantly better speech clarity for millions of people in Asia.

1) Ethnologue: Languages of the World, 22<sup>nd</sup> edition (2019)

### Underserved markets

Affordable hearing care is still a challenge for many people in low- and middle-income countries and for underprivileged social groups in high-income regions. Sonova is committed to increase accessibility and affordability of hearing care by expanding its presence in underserved markets.

We aim to increase the number of hearing aids sold in low- and middle-income countries by 50%. The global health and economic crisis resulting from the COVID-19 pandemic severely affected the hearing care market and with it our business activities. We therefore adjusted the target date for achieving the 50% increase by one year from 2022/23 to 2023/24. Progress is presented in the table below.

#### Sales growth in low- and middle-income countries

vs. 2018/19

	2020/21	2019/20
Increase in number of HI sold in low-and middle-income countries vs. 2018/19	+0.4%	+1.1%

## Training and education

Many countries lack trained health personnel, educational facilities, and necessary data to address the needs of those living with hearing problems. These factors, and the lack of hearing care professionals and infrastructure in many markets, can impede efforts to raise the proportion of people receiving hearing care. Building local capacity worldwide and training hearing care professionals to the highest standards is very important to Sonova.

As an example, China faces the challenge of a rapidly growing number of people with hearing loss due to an aging population, which will put more strain on an already under resourced hearing care system. Sonova decided to tackle the significant lack of comprehensive, practical training for hearing care professionals and build a training center – the Global Hearing Institute in Suzhou. The center offers advanced audiology courses and practical training for hearing care professionals from the entire Asia-Pacific region; it features a soundproof room for hearing tests and workstations for fitting ear-molds. The uptake of training courses by hearing care practitioners from across China has been very strong since the center opened in May 2017. After the courses, participants keep in touch with their trainers via chat and can contact them if they need advice on issues back in the workplace. In 2020/21, the Global Hearing Institute provided around 40,000 online training sessions.

40,000

online training sessions provided by the Sonova Global Hearing Institute in China in 2020/21

Sonova’s commitment to provide high-quality training for hearing care professionals applies to both developing and developed markets. The Swiss International Hearing Academy (SIHA), a Sonova Group initiative, runs a pioneering blended learning program in audiology for aspiring hearing care professionals (HCPs). The study program makes training courses viable in emerging economies where opportunities for vocational education are thin on the ground or non-existent. In 2020/21 we set a new target: to train and certify 250 HCPs in low- and middle-income countries through the SIHA 12-month HCP program by 2022/23. In 2020/21, already 150 HCPs have been enrolled in the 12-month program and are expected to graduate and become certified throughout the coming year.

In addition to the SIHA, we opened our first training center in Germany in 2019. Located in Dortmund, the Sonova Academy offers comprehensive training and development opportunities at the cutting edge of science and technology in ultra-modern training facilities. The program of in-person and eLearning modules complements Germany’s existing training offerings in hearing acoustics: The Sonova Academy cooperates closely with the German Academy for Hearing Acoustics and the German Vocational School for Hearing Acoustics.

## Philanthropy

### Hear the World Foundation

Sonova’s philanthropic engagement at Group level has a strong focus on increasing access to hearing care in low- and middle-income countries, especially for children. We achieve this primarily by supporting the charitable Hear the World Foundation – initiated by Sonova in 2006 – with funding, expertise, and hearing solutions. In 2020/21, Sonova has committed to the following new target: We aim to increase the number of lives affected by the Hear the World Foundation by 10% year-over-year.

The mission of the foundation is to improve the quality of life of people in need with hearing loss worldwide and create equal opportunities by giving them access to hearing healthcare. The foundation makes essential contributions to the UN Sustainable Development Goal (SDG) 3 (good health and wellbeing) and SDG 4 (quality education) by investing in projects benefitting children in need with hearing loss, providing training, and building local capacity in countries that lack qualified hearing care professionals, and supporting prevention of hearing loss.

In 2020/21, the foundation supported 18 programs globally, in which over 640 professionals were trained, over 8,000 hearing screenings conducted, and around 900 parents of children with hearing loss were supported. Sonova employees conducted around 600 hours of volunteer work for the foundation. You can find more data in the foundation’s Activity Report, which is published annually and available on the foundation’s

>640

professionals trained in programs supported by the Hear the World Foundation in 2020/21

website and provides detailed information on the foundation's strategy, activities, goals and impact.

## Philanthropic contributions

In the 2020/21 financial year, the total monetary value of Sonova's contribution to corporate citizenship and philanthropic activities amounted to around 3.6 million CHF. Broken down by type of activity (see first table below), the vast majority (98%) of the monetary value of all contributions was in the form of community investments: long-term strategic involvement with community partner organizations by the Hear the World Foundation with the aim to improve quality of life and create equal opportunities. A total of 1% of the cost of all activities was in the form of charitable donations, and 1% was for commercial initiatives, e.g. research projects, sponsoring of community organizations, and other initiatives related to the topic of hearing supported by Sonova. Broken down by type of contribution (see second table below), the total of around 3.6 million CHF comprises 67% in-kind contributions (mostly hearing instruments and cochlear implants), 16% direct cash contributions, 16% management costs (e.g. staff salaries and overheads), and 1% time (e.g. employee volunteering).

### Monetary value of philanthropic contributions by type of activities

CHF <sup>1</sup>

	2020/21	%	2019/20	%	2018/19	%
<b>Total</b>	<b>3,615,086</b>	<b>100%</b>	<b>4,383,826</b>	<b>100%</b>	<b>3,267,062</b>	<b>100%</b>
Community investments	3,550,680	98%	4,024,921	92%	2,950,573	90%
Charitable donations	30,990	1%	132,884	3%	50,920	2%
Commercial initiatives	33,416	1%	226,021	5%	265,569	8%

<sup>1</sup> Only contributions at Sonova Group level included, does not include contributions at brand level.

### Monetary value of philanthropic contributions by type of contribution

CHF <sup>1</sup>

	2020/21	%	2019/20	%	2018/19	%
<b>Total</b>	<b>3,615,086</b>	<b>100%</b>	<b>4,383,826</b>	<b>100%</b>	<b>3,267,062</b>	<b>100%</b>
Cash contributions	583,416	16%	676,021	15%	715,569	22%
Time	36,239	1%	200,840	5%	291,435	9%
In-kind contributions	2,406,431	67%	2,993,965	68%	1,751,058	54%
Management costs	589,000	16%	513,000	12%	509,000	16%

<sup>1</sup> Only contributions at Sonova Group level included, does not include contributions at brand level.



Serving society

# Audiological training via blended learning

The Swiss International Hearing Academy (SIHA), a Sonova Group initiative, runs a pioneering blended learning program in audiology for aspiring hearing care professionals. Its integrated approach combines the advantages of face-to-face tuition and e-learning. This attractive blend of online, offline and practical learning experiences provides a comprehensive grounding in a globally sought-after profession that still has a shortage of qualified specialists. Besides audiological skills and expertise, the program's modular structure also imparts a deeper-than-usual understanding of the sales process and business requirements. In addition, the study program makes training courses viable in emerging economies where opportunities for vocational education are thin on the ground or non-existent.

Albert is in his mid-70s and living with hearing loss. It hardly bothers him, but has been a source of concern to his wife. It is she who persuaded him to seek professional advice at an audiology store. He is at the store right now, not quite sure what to expect. How can Albert be encouraged to acknowledge that he needs assistance? This question is one of many in a fictional consultation within a teaching module designed to help budding hearing care professionals to focus on the customer. This case (which closely mirrors real life) and the ensuing role-play represent a typical scenario in a consultation. Such customer interactions need to be practiced – virtually, in the first instance, via SIHA, a global training program for aspiring and qualified hearing care professionals alike that has been running for Sonova Group employees and external participants since 2020.

Along with their other activities for the Sonova Group, Bettina Turnbull (Director of Audiology, Knowledge Management & Education), Jean Anne Schnittker (Research Audiologist), and Barbara Münch (Audiology and Product Education Manager) have been working on the program as a global, interdisciplinary team for about five years. In addition to their audiological qualifications, they all have many years of experience in education. This has enabled them to structure the SIHA program to meet both varying international educational standards and the needs of a diverse range of participants.



## AUDIOLOGICAL TRAINING VIA BLENDED LEARNING

Bettina explains the background to the resources on offer on the SIHA learning platform, which is already used to complement practical training courses at audiological centers such as the Sonova Global Hearing Institute in Suzhou (China): "What's special about these teaching resources is their problem-based structure. It's not just a question of correctly diagnosing hearing loss and selecting the appropriate device. There are lots of psychological elements that play a significant part in customer consultations, and the SIHA program can help participants to practice understanding these and approaching them professionally. A consultation will only succeed if the client is prepared to accept help and audiological treatment." In short, if aspiring hearing care professionals are to navigate challenging real-world situations effectively, they need more than just technical expertise – they must understand the importance of empathy and be able to listen and ask open questions. "We don't concentrate on hearing and the ears in isolation. Our interest is always in the people to whom those ears belong. We focus on the customers, with all their needs."

So how does this new blended learning program work? It comprises twelve modules that are worked through in parallel with the practical and technical components over a period of 1,500 to 2,000 hours. The qualification takes about a year to obtain. Those selected to participate log in, use face-to-face teaching resources, do virtual hearing tests, solve sample cases, do homework assignments and receive grades. Bettina gives a concrete example of the process. "Let's take Albert, the pensioner with hearing loss who is not convinced he needs hearing aids, as a typical case. Several consultation examples are simulated with him, and there is a choice of various response options for each scenario. If the participant clicks on the wrong answer, they are sent back to the start and keep practicing until they are able to provide the correct answers to each scenario."



Almost 100 participants have benefited from the new program since its launch, with the first external cohort of trainees beginning in Suzhou in May 2020 and finishing twelve months later. Previous graduates from the highly successful test phase hail from various English-speaking countries (USA, Australia, and New Zealand), where the program was introduced in 2019. Although still in its infancy, the SIHA program has already picked up a final-round nomination for "Best Online Distance Learning Program" at the 2020 Learning Technology Awards in London (UK) and won a gold medal for "Best Advance in Technology Innovation for the Remote Workforce" at the prize-giving organized by the Brandon Hall Group, a global research and analysis organization based in the USA.

## AUDIOLOGICAL TRAINING VIA BLENDED LEARNING

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As many sectors switched to virtual working during the pandemic year of 2020, demand for the new program skyrocketed both in-house and further afield. Online learning has also been used at Sonova in vocational training for employees in the marketing department, as Bettina explains: “Almost half of the sales reps in the USA had no experience of audiology when they were hired. The SIHA program, minus its clinical components, was incorporated as onboarding training so these new employees could quickly get up to speed on the hearing aid industry. Thanks to SIHA, the settling-in period, which would otherwise take years, can be completed in just a few weeks.”

Because of its digital approach, the teaching program is also suitable for countries that have no infrastructure in terms of schools and training centers for the audiology sector. To ensure increased access to hearing care in such areas, Sonova is using SIHA to support the expansion of local provision worldwide and to train audiology experts to the highest standards.

In February 2021, Barbara Münch launched a one-year SIHA course that attracted considerable interest and three times as many applications as anticipated. Participants come from a host of different countries and regions, including Eastern Europe, the Middle East, and Latin America.

In light of this high demand, the online resources are to be rolled out in as many countries as possible in the future, and in developing economies in particular. Additional language versions are in the planning stage and several joint ventures have already been set up with local vocational training institutions around the globe. The German Jordanian University in Amman is to work with SIHA to develop a portfolio of courses in Arabic for the Middle East, while the Academy of Hearing Acoustics in Lübeck, which has been offering international courses for more than ten years, also sees great potential in working with SIHA. The range of SIHA courses on offer at Sonova’s Global Hearing Institute in Suzhou is intended to attract interest from across Asia. As the SIHA program was also designed for external participants and not exclusively for Sonova, it can be used on a broad international stage. Against this backdrop, SIHA has been working with the Hear the World Foundation, which is able to run the program for cooperation partners on the ground in low- and middle-income countries where audiological training is not provided.

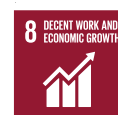
SIHA aims to continue rolling out its pioneering training program on a global scale with a view to providing practical vocational training in as many countries as possible. Given that training rates in the field of audiology – especially in low and middle-income countries – have historically been very low, SIHA is already making a significant contribution towards enhancing provision worldwide.



Strategic areas

# Advancing our people

We foster our employees' development, well-being and engagement in an inclusive work environment that embraces diversity.



### Sonova and the United Nations Sustainable Development Goals (SDGs)

Through this strategic area, Sonova contributes to SDGs 5 and 8. More information is provided in the corresponding section of this CR Report: Sustainable Development Goals.

## Our employees are key to our success

The success of Sonova stems not only from our innovative solutions, but our people and our culture. Across our business and brands, we all share one vision: to create a world where everyone enjoys the delight of hearing and lives a life without limitations. This unifying vision, taken together with our corporate values, forms the foundation of our culture and creates a common understanding of how we work to create the best possible result for all our stakeholders.

### Number of employees

The number of employees decreased in the current reporting year by 4.5% to a total of 14,508 full time equivalents. The difference of 676 employees compared to the previous year stems mostly from acceleration of structural initiatives aimed at optimizing our non-customer facing functions such as general and administrative activities, logistics, and back office, as well as streamlining the Audiological Care store network.

GRI 102-8

### Employees by region

(x) PwC CH

FTE (end of period) <sup>1</sup>

	2020/21	2019/20	2018/19
<b>Total (Regular and Fixed-term)</b>	<b>14,508</b>	<b>15,184</b>	<b>14,740</b>
Switzerland	1,321	1,290	1,224
EMEA (excl. Switzerland)	6,443	6,878	6,748
America	3,415	3,538	3,443
Asia/Pacific	3,329	3,478	3,325

<sup>1</sup> Employee numbers do not show any seasonal or other temporary fluctuation.

Employees by employment contract

(x) PwC CH

% of employee headcount <sup>1</sup>

	2020/21	2019/20	2018/19
Regular	82.4	84.4	86.6
Fixed-term <sup>2</sup>	2.0	2.6	2.9
External temporary <sup>3</sup>	12.5 <sup>4</sup>	9.8 <sup>4</sup>	7.2
Interns	3.2	3.2	3.3

<sup>1</sup> Information about FTE not available for temporary hires, therefore % split calculated based on headcount.

<sup>2</sup> Employees on fixed-term contract.

<sup>3</sup> Agency temps and contingent workers.

<sup>4</sup> Increase in external temporary employees compared to previous year due to increased number of time-critical projects that required external support.

Human resource organization

The majority of our employees are directly supported by a local human resources (HR) manager. At our corporate headquarters in Switzerland, we develop – in collaboration with our Group companies – and monitor a comprehensive set of global human resource processes, standards, and policies, which are implemented locally in line with country-specific regulations and customs. We assess the impact of all our activities through a set of key performance indicators such as turnover, internal leadership recruitment rate, and depth of available in-house talent. Regular audits ensure compliance with internal regulations and local labor law, with the objective to provide excellent working conditions and monitor progress in all our locations. We estimate that around 30% of Sonova’s global workforce is represented by an independent trade union or covered by collective bargaining agreements.

Employee engagement

This year was the third in which we conducted HearMe, Sonova’s anonymized annual employee engagement survey. The survey is conducted together with an external provider. More than 90% of employees participated worldwide, providing valuable information about ways we can boost collaboration across the Group. Of respondents, 83% reported feeling engaged through their work (81% for men, 84% for women). Concrete initiatives inspired by HearMe results have already been implemented, aiming to release untapped potential, identify key drivers of employee engagement, encourage effective leadership at all levels, and thereby stimulate professional growth and business success. In 2020/21, a dedicated global cross-functional team was set up to drive continuous improvement in processes that create increased employee engagement.

83%

report feeling engaged through their work at Sonova

Our priority target is to achieve an employee engagement rate equivalent to that of high performing companies by 2022/23. The current employee engagement rate of 83% means that we are currently four percentage points below the benchmark level of high performing companies (87%), which we plan to achieve by 2022/23.

Employee engagement

(x) PwC CH

% of employee headcount

	2020/21	2019/20	2018/19
<b>Employee engagement rate</b>	<b>83.0</b>	<b>83.0</b>	<b>84.0</b>
Women	84.0	84.0	85.0
Men	81.0	81.0	82.0

## Talent development

We offer a flexible and inclusive work environment and an open culture that inspires personal growth and professional development. Line and HR managers review the competencies, performance, and potential of our employees through a yearly appraisal process. By setting individual and measurable goals, we promote a sense of accountability.

We believe that every employee should have an individual development plan. We therefore launched in spring 2019 an initiative that allows employees at all levels to define their own development objectives under the annual appraisal process and to discuss them with their managers in dedicated development conversations. The aim is to ensure that we are investing effectively in the advancement of each individual’s strengths and preferences. In 2020/21, we set the new target that over 95% of employees should have a development plan by the end of the 2022/23 financial year. The target covers all employees at Sonova worldwide, except those with job roles in production/assembly. For these employees, other skill-related growth paths are identified. At the end of 2020/21, over 80% of employees had a development plan.

Our global Succession Planning process allows us to mitigate the risk of losing expertise in key positions while identifying and developing promising candidates for internal succession.

### Talent attraction and retention

Global trends such as demographic changes, a limited availability of specialist talent, and the need to adapt quickly to shifting markets highlight the importance of a proactive staffing strategy for Sonova. We strongly believe that developing talent with the goal of ensuring internal succession is vital to sustainable success. Appointing internally to key positions while retaining and developing skilled employees helps to ensure that Sonova’s specialist knowledge and intellectual property remain within the company, sustaining our competitive advantage. In 2020/21, we were able to fill 69.7% of our open leadership positions with Sonova employees.

#### Internal leadership recruitment rate (ILRR)

(x) PwC CH

% of employee headcount <sup>1</sup>

	2020/21	2019/20	2018/19
<b>Total (% of total internal hires)</b>	<b>69.7</b>	<b>67.1</b>	<b>52.3</b>
Women (% female of internal hires)	47.1	51.7	55.0
Men (% male of internal hires)	52.9	48.3	45.0

<sup>1</sup> In 2018/19, Audiological Care Germany was excluded. In 2019/20 and 2020/21 Audiological Care Germany is included for the total statistics only.

New hire rate

(x) PwC CH

% of new hired FTE

	2020/21	2019/20	2018/19
<b>Region</b>			
Switzerland	8.3	7.3	4.4
EMEA (excl. Switzerland)	27.4	38.9	33.7
America	35.2	38.5	29.7
Asia/Pacific	29.1	15.3	32.1
<b>Gender</b>			
Women	67.6	66.3	67.1
Men	32.4	33.7	32.9
<b>Age</b>			
under 30 years old	50.6	41.9	48.4
30–50 years old	41.5	47.1	41.8
over 50 years old	7.9	11.0	9.7

Our conscientious treatment of our workforce, professional leadership culture, and proactive approach to employee retention over the past years have combined to keep our global employee turnover to a level of 15.1%. The average tenure of our managerial staff is 9.1 years, while the total average workforce tenure is 5.9 years.

Employee turnover rates

(x) PwC CH

% of FTE <sup>1</sup>

	2020/21	2019/20	2018/19
<b>Total</b>	<b>15.1</b>	<b>14.9</b>	<b>12.3</b>
<b>Region</b>			
Switzerland	6.2	8.0	6.8
EMEA (excl. Switzerland)	12.2	13.4	8.9
America	21.7	20.0	19.5
Asia/Pacific	17.6	15.0	12.2
<b>Gender</b>			
Women	15.7	14.5	12.2
Men	13.1	14.8	12.0
<b>Age</b>			
under 30 years old	21.2	19.1	16.2
30–50 years old	13.3	13.7	10.6
over 50 years old	12.3	12.2	8.2

<sup>1</sup> The employee turnover rate is the percentage of the employees who left Sonova during the fiscal year; this includes continuing and discontinued operations (excl. leaves following company sale). In 2018/19, Audiological Care Germany was excluded from the total workforce. In 2019/20 and 2020/21, Audiological Care Germany is included for the total and EMEA (excl. Switzerland) statistics only.



## Leadership Development programs

Our leadership development landscape is based on a portfolio of different programs:

Training program	Audience	Description
<b>Aspiring Leaders</b>	<ul style="list-style-type: none"> <li>• Employees with leadership aspirations</li> <li>• 12–16 participants per cohort</li> </ul>	The Aspiring Leaders program is two-day program that encourages participants to start thinking about their own leadership brand and about how they can best fulfill and contribute to Sonova's future.
<b>Leadership Foundations</b>	<ul style="list-style-type: none"> <li>• Aimed at all new people managers</li> <li>• Recommended for all people managers</li> <li>• 8–16 participants per cohort</li> </ul>	The Leadership Foundations program is a two-day intensive program focusing on how Sonova's values apply to leadership, and covering people management and leadership skills.
<b>Leadership Foundations Light</b>	<ul style="list-style-type: none"> <li>• Virtual program aimed at all new and middle people managers.</li> <li>• 16–24 participants per cohort</li> </ul>	This is a redesign of Leadership Foundations for virtual learning, consisting of three online sessions delivered during one month.
<b>Leading Effective Teams</b>	<ul style="list-style-type: none"> <li>• Foundations alumni with direct reports</li> <li>• Ideally 9+ months after Foundations</li> <li>• 16–24 participants per cohort</li> </ul>	Leading Effective Teams focuses on effective and productive collaboration. It is a yearlong program containing 2 two-day face-to-face workshops: one in the beginning to kick-off the program, and one in the end to close the program, with virtual sessions in between. Participants are asked to team up to tackle real business problems they are facing as leaders.
<b>Power Sessions for Leaders</b>	<ul style="list-style-type: none"> <li>• Targeting all leaders</li> <li>• 2–4h workshops</li> <li>• Recommended for all people managers</li> <li>• 8–24 participants per cohort</li> </ul>	Power Sessions for Leaders are focused workshops covering specific leadership topics in human resources and other areas to support our leaders in their daily challenges and responsibilities (e.g. Writing Effective Performance Objectives, Performance Appraisal for Managers and more).
<b>Webinars for Leaders</b>	<ul style="list-style-type: none"> <li>• Targeting all leaders</li> <li>• 1–2h webinars</li> <li>• Recommended for all people managers</li> <li>• Up to 40 participants</li> </ul>	Webinars for Leaders are focused virtual sessions covering specific leadership topics in human resources and other areas to support our leaders in their daily challenges and responsibilities.

Through intensive feedback, coaching, and experiential learning, these programs give participants the chance to reflect on their personal style, to understand and to increase the impact they have on their performance, and to plan how they will continue to develop as leaders at Sonova. In the 2020/21 reporting year, around 1,900 individual leaders participated in a total of 6,840 hours of leadership development training.

## Learning & Development

SonovaLearning is our group-wide education platform for all employees. It also serves as a cross-business learning network, promoting consistent actions and enabling change throughout our organization. SonovaLearning offers targeted programs, giving all our employees the opportunity to enhance their skills and competencies. We support the programs with an e-learning information platform, launched in 2019, which is accessible at all times. Over 2,500 employees accessed almost 37,000 pages and articles on it during the 2020/21 financial year. In addition, mandatory trainings available on the e-learning platform ensure that our employees have the expertise to do their work correctly and according to relevant rules and regulations.

A strong focus on customer service is also reflected in our training programs: we are convinced that a trusting personal relationship, founded on expertise and understanding, is the best way for customers to reap the full benefit from their hearing solution. The

Sonova Academy in Germany opened in summer 2019, offering face-to-face and online training to further develop the ability of our hearing health care professionals to deliver the best service and customer experience.

We measure the success of the career development process in two ways: each line manager assesses development planning and employee progress, while Sonova's Group HR tracks the internal promotion rate and participation in the training programs.

### Traineeship programs

Sonova has an excellent network of research collaboration with various leading universities around the world, where students can participate in joint studies and other activities. We offer them the opportunity to work in our organization as a member of one of our research and development teams, either in an internship, or as part of their Bachelor's, Master's, or PhD thesis work.

Our talent acquisition process also targets the most sought-after group of professionals in our industry: experts in audiology. To support our constant need for top audiologists, we offer an international Audiological Traineeship program, with training placements in the US, Canada, and Switzerland. This program is an opportunity for ambitious audiology graduates to benefit from a one-year formal development and rotation experience, where they can work with our talented audiologists in various business units (audiology, marketing, customer training, sales, and research) before starting on their career path with Sonova.

At Sonova we conscientiously support and invest in Switzerland's effective dual training system, which links formal education with in-company training, providing both theory and necessary practical experience. The number of our apprentices has doubled since 2013, and we train more than 40 apprentices at our headquarters. The range of Sonova apprenticeships is highly diverse, offering training in twelve professions, from polytechnician through logistics clerk to cook. Sonova supports education and training for young people with disabilities. In recent years, several apprentices with disabilities have successfully completed an apprenticeship at Sonova.

## Diversity and inclusion

### Commitment

As a leading provider of innovative hearing solutions, Sonova stands for equal opportunity: it is our vision to create a world where everyone – without distinction – enjoys the delight of hearing. By offering the most comprehensive range of solutions to treat all major forms of hearing loss, we aim for our consumers and employees to feel fully included in society. To help us reach this challenging goal, our workforce and work culture need to reflect the values of diversity and inclusion.

As an employer, Sonova actively fosters diversity and inclusion. We value the diversity of languages, background, ethnic origin, disabilities, culture, beliefs, gender identity and/or sexual orientation among our employees, which reflects the diversity of our stakeholders and the communities in which we operate. Our commitment to diversity and inclusion is included in our Code of Conduct and is binding for all our employees.

We know that diversity and inclusion is essential for our success and for our employees to thrive. We are committed to providing equal hiring, development, and advancement opportunities. We strive to create an environment in which all employees feel safe, valued, included, and empowered to do their best work, realize their full potential, and bring innovative ideas to support our customers and businesses. We know that each employee's

GRI 102-8, GRI 405-1

unique experiences, perspectives, and viewpoints enhance our ability to deliver the best possible medical devices, services, and support to our customers, consumers, patients, and business partners.

## D&I Strategy

In 2020/21, Sonova began implementing its enhanced global diversity and inclusion strategy. This is built around five pillars:

### Governance

We have set up a global Diversity and Inclusion Council, chaired by Sonova's CEO with representatives from regions and key diversity dimensions. The Council sets targets, establishes accountability for target achievements, ensures that the necessary resources are in place, and regularly monitors progress.

### Targets

We set diversity and inclusion objectives and measure our progress toward achieving them, while ensuring their alignment with other strategic business objectives. We monitor the composition of our workforce, where appropriate and legally permitted, along various diversity dimensions such as age, gender, nationality, or ethnic origin.

### Hiring and development

We stand for equity, equal opportunity, diversity, and inclusion in the workplace – in all our operations. We foster an environment that attracts and retains the best talent, mitigates biases, and encourages the contribution of diverse ideas, backgrounds, and perspectives to build the best team. We create opportunities for training, development, and progression, helping and encouraging our employees to develop to their full potential.

### Training

We train our employees and leaders on general topics in diversity, inclusion, and bias mitigation. We also train colleagues on how to embrace diversity and contribute to an inclusive Sonova culture in their specific functional roles.

### Communication

We drive active and transparent communication on diversity and inclusion to foster an inclusive culture, encourage role model behavior, and emphasize the high relevance of diverse and inclusive teams as a core element of our values and business strategy.

## Progress and actions

Sonova has put special emphasis on recruiting and promoting women and employees from different cultures to leadership and executive positions. As part of our ESG commitments, we set in 2020/21 the following diversity and inclusion targets:

- To aim for 40% women in key positions by 2025
- To train over 95% of employees on diversity and inclusion by mid-2021

We are proud that today, across all management levels, women hold 49% of all positions involving staff responsibilities and 34% of key positions are held by women. In lower and middle management, the ratio of women is around 57% – these are good conditions to reach our ambitious gender diversity targets in upper and senior management through professional succession planning, individual development plans, and gender-balanced representation in filling open positions. In 2020/21, 39% of all our external hires to lower, middle, upper, and senior management positions were women, as were 47% of all our internal promotions to management positions.

We actively support the compatibility of pursuing a career and raising a family by promoting flexible working models such as home office, flexible working hours, and part-time work in leadership positions. Our terms of employment guarantee our employees in Switzerland several additional family-related benefits, including 16 weeks of maternity

leave, four weeks of paternity leave, and the possibility of purchasing additional vacation time. In all our production sites, where shift work is standard, employees returning from maternity leave can choose to work at between 50% and 100% of their previous level during their first year back. We operate our own day care center at our headquarters in Stäfa and financially support lower-salary employees in Stäfa and in our production center in Vietnam to help pay for day care. In the US, among other countries, we have breast feeding rooms at our offices.

The positive trend towards gender balance in senior leadership levels gives us confidence that we are on the right track. To fully leverage the potential of our internal talent, we will further strengthen our efforts to remove unconscious barriers throughout the talent management cycle and keep a diversity focus in talent development.

### Women in management positions

(x) PwC CH

% of employee headcount within respective management position

	2020/21	2019/20	2018/19
<b>Women in senior management <sup>1</sup></b>			
<b>Total</b>	<b>20.3</b>	<b>16.4 <sup>2</sup></b>	<b>15.9 <sup>2</sup></b>
Switzerland	15.6	11.7	14.8
EMEA (excl. Switzerland)	17.8	10.0	8.3
America	39.3	37.9	35.0
Asia/Pacific	12.5	11.8	13.3
<b>Women in upper management</b>			
<b>Total</b>	<b>36.6</b>	<b>35.1</b>	<b>33.1</b>
Switzerland	23.2	20.6	21.3
EMEA (excl. Switzerland)	37.6	36.8	37.4
America	43.4	39.3	33.5
Asia/Pacific	40.0	41.6	36.1
<b>Women in lower and middle management</b>			
<b>Total</b>	<b>56.6</b>	<b>56.5</b>	<b>54.8</b>
Switzerland	26.6	25.6	31.2
EMEA (excl. Switzerland)	58.9	60.0	57.5
America	59.6	56.2	53.1
Asia/Pacific	57.0	56.6	56.9
<b>Women in non-management</b>			
<b>Total</b>	<b>69.0</b>	<b>69.9</b>	<b>69.2</b>
Switzerland	46.4	47.4	45.4
EMEA (excl. Switzerland)	68.0	69.1	68.5
America	69.6	69.9	69.3
Asia/Pacific	78.1	78.7	78.0

<sup>1</sup> Definition of "senior management": Management Board, Managing Directors, Management Board-1.

<sup>2</sup> Definition of "senior management" was adjusted in 2019/20 and data restated for 2018/19.

In 2020/21, employees had the opportunity, through our global HearMe employee engagement survey, to voluntarily self-identify as belonging to an underrepresented group within their team or organization – in terms of age, gender, language, ethnic origin, religion, sexual orientation, health status, or any other category. Out of all respondents, 17% of employees self-identified as belonging to an underrepresented group.

Below is a breakdown of our global workforce over the past three years by gender and age.

Employees by gender

(x) PwC CH

% of employee headcount <sup>1</sup>

	2020/21	2019/20	2018/19
<b>Women</b>			
Share of total workforce	65.5	66.4	65.7
Part-time employees	13.3	16.4	18.4
<b>Men</b>			
Share of total workforce	34.5	33.6	34.3
Part-time employees	2.5	6.0	6.3

<sup>1</sup> Only regular contracts, no fixed-term contracts.

Employees by age

(x) PwC CH

% of employee headcount <sup>1</sup>

	2020/21	2019/20	2018/19
<b>All employees</b>			
under 30 years old	18.8	21.7	20.7
30–50 years old	58.7	59.7	60.3
over 50 years old	22.5	18.6	18.9
<b>Women</b>			
under 30 years old	20.7	23.9	22.6
30–50 years old	58.6	59.1	59.9
over 50 years old	20.6	17.0	17.4
<b>Men</b>			
under 30 years old	15.0	17.1	17.1
30–50 years old	58.9	61.1	61.1
over 50 years old	26.1	21.8	21.9

<sup>1</sup> Regular employees only.

To advance on our journey of diversity and inclusion, we are actively addressing the role of unconscious biases. In September 2020, we began roll-out of unconscious bias training for all leaders across the organization. At the end of the financial year 2020/21, around 72% of leaders have already participated, with 21% approaching completion of the training. Follow-up webinars are scheduled for after the first training cycle. In addition, we launched an unconscious bias awareness e-learning course for all employees, which will also be part of the mandatory onboarding program for new joiners. Diversity and inclusion has also been included in our senior leader training and our Code of Conduct training covers its key aspects. We recently conducted a diversity and inclusion training program for our Corporate Communications team which covers unconscious bias in language and imaging and proposes concrete steps to build diversity and inclusion into our communications.

In 2020/21, as part of our HearMe annual employee engagement survey, we calculated and benchmarked Sonova's diversity and inclusion index. 80% of respondents reported a favorable result, representing a positive trend to the two previous year's diversity inclusion scores of 78% in 2019/20 and 76% in 2018/19.

One of the diversity and inclusion strategy's key pillars is to establish governance through dedicated bodies and responsibilities. In 2020/21, we set up the regional Diversity and Inclusion Councils Americas, EMEA, Asia, and Oceania, followed by national task forces. The Councils' main focus to date has been on analyzing the regional results from the HearMe employee engagement survey and defining diversity and inclusion priorities for the respective countries. The regional Councils will provide quarterly updates and discussion points to the global Diversity and Inclusion Council.

To raise awareness and continuously advance a culture of inclusion, we also support expanding employee networks, providing platforms where people can connect and learn from one another. Women's networks, initiated by our employees, have been established in Canada, the US, Germany, and Switzerland. Since hearing loss should not stop anyone from striving for excellence and innovation nor thriving at Sonova, we have also set-up a global Hearing Loss Resource Group which has been actively engaged in providing input and making our processes more inclusive.

Sonova also provides reasonable accommodation in its job application procedures for individuals with disabilities, and to find alternative ways for individuals with disabilities to perform essential job functions.

GRI 403-2

## Occupational health and safety

Sonova promotes and provides a safe and healthy workplace. Occupational health and safety are integral to our activities. Sonova has established an effective occupational health and safety culture that supports and protects our employees. We regularly monitor and analyze the potential health and safety risks of our operations and implement both legally-required and voluntary occupational health and safety programs. Sonova's operations have a relatively low exposure to health and safety risk. Most injuries and lost work days are not caused by the manufacturing processes; they are more likely to be sustained during activities such as movement of goods. Employees who work with chemicals and hazardous substances, or come into contact with them, are regularly trained in their safe handling.

Any incident that requires external medical health care is considered as a work-related injury. First-aid level injuries are not included. Any work-related injury that results in the company employee not being able to return to work the next scheduled work day/shift is considered as a lost-time injury. Lost days refer to working days, not calendar days, and begin right after the accident.

In 2020/21, we recorded a lost day rate (LDR) of 32.5 (2019/20: 26.0) and lost-time injury frequency rate (LTIFR) of 2.4 (2019/20: 1.4). The increase in the LDR and LTIFR stem from a higher number of injuries and total lost days, combined with a decrease in total working hours due to COVID-19. The severity of the incidents (average number of lost days per injury) has continuously reduced over the past three years. Generally, the absolute number of injuries is low at Sonova, and small changes in it can have a significant impact on the key performance indicators. The most common types of accidents were behavior-based, such as slips, trips or falls. The root causes of each work-related injury are strictly investigated, regular local internal health and safety audits are carried out, and action plans are implemented, such as intensified local training and awareness raising activities to further reduce exposure to work-related health and safety risks. No occupational illness or disease cases have been registered in the past three years, leading to an occupational illness frequency rate (OIFR) of zero. There were no work-related fatalities.



The LDR, LTIFR, OIFR and work-related fatalities reported in the table above cover 23% of our global workforce. The selection of the facilities follows a risk-based approach, and includes e.g. the operation centers in Switzerland, Vietnam and China, as well as the operation and distribution center in the United States, and the regional European service centers in Spain and the United Kingdom. We strive to reduce further the number of lost days due to work-related injuries and have defined an internal reduction target covering all the sites mentioned above. Each site has a designated person responsible for local implementation of the health and safety program. Gender-specific indicators are not considered relevant on an aggregated level. Sonova does not record health and safety statistics for contractors since we engage only a small number of contractors and licensees. We operate within a highly integrated business model: all operation centers are owned by Sonova.

Occupational health and safety

(x) PwC CH

	2020/21	2019/20	2018/19
Lost day rate (LDR) <sup>1</sup>	32.5	26.0	47.0
Lost-time injury frequency rate (LTIFR) <sup>2</sup>	2.4	1.4	2.5
Occupational illness frequency rate (OIFR) <sup>3</sup>	0.0	0.0	0.0
Work-related fatalities	0	0	0

<sup>1</sup> LDR = total number of lost days due to injuries/total hours worked x 1,000,000 (definition changed in 2019/20 from 200,000 to 1,000,000 and previous years' data adjusted for comparability).

<sup>2</sup> LTIFR = total number of lost-time injuries/total hours worked x 1,000,000.

<sup>3</sup> OIFR = total number of occupational illness or diseases cases/total hours worked x 1,000,000.

The COVID-19 pandemic has highlighted the importance of the health and safety topic. For Sonova, our first priority is protecting the health and safety of our global team, followed immediately by assuring that our operations can continue while complying with emergency regulations. Employees who are in contact with hearing care patients or consumers work according to the instructions of the relevant authorities and give maximum priority to safety, health, and hygiene. In countries with high infection rates, employees whose presence at the workplace is not absolutely necessary work from home whenever possible. At our offices, production sites and stores, a strict sanitary and safety protocol is in place to protect our people and avoid any further spread of the virus. Group management is helping our individual companies to execute their COVID-19 plans and contingency measures.

## Employee wellbeing

Sonova is committed to foster employees' health and wellbeing. Our Group companies and operation centers take specific prevention and health promotion measures to help maintain and enhance each employee's capacity for productive and fulfilling work. Sonova's global Body & Mind initiative aligns and supports its various prevention measures. The health initiative rests on four main pillars:

- Sound and well-balanced nutrition
- Physical and mental harmony through exercise
- Re-energizing through active relaxation
- Medical care through regular check-ups and vaccinations

Our Group companies are responsible for implementing Body & Mind measures locally and for continuously refining programs in all the four areas: nutrition, exercise, relaxation, and medical care. As an example, health coaches at our operation centers lead employees in three-minute break-time exercises to reduce muscle tension. Some employee wellbeing activities at Group companies were adapted due to COVID-19 restrictions. Among examples of local activities in 2020/21 were virtual coaching sessions on stress management, resilience, ergonomics, and emotional agility, virtual yoga classes, and healthy breakfast options and salad buffet for employees where working from home was not possible. Some offerings, e.g. at headquarters in Stäfa, were reduced or postponed in light of COVID-19 related restrictions, including sports groups and sports events run by employees, the use of sports changing rooms with showers, free medical check-ups, or a health awareness day.

## Responsible reorganizations

At Sonova, we are committed to treating our workforce responsibly. In the event of major reorganizations, such as restructuring, relocation, outsourcing, or mergers and acquisitions, we strive to reduce negative impacts on our workforce, ensure employment security, minimize compulsory redundancies, and mitigate the consequences for those made redundant.

We apply such measures on a case-by-case basis and depending on local conditions. At our headquarters in Stäfa, for example, the applicable measures include early retirements, internal mobility, financial compensation, re-training or outplacement services, case management, extended notice periods, and hardship funds.

In the past three financial years, there were no significant job cuts at Sonova affecting more than 1,000 employees or more than 5% of the total global workforce annually.

In July 2020, in line with the Group's overall strategy, Sonova announced the acceleration of its structural optimization initiatives, which aim to optimize non-customer facing functions such as general administration, manufacturing, logistics, and back office. The initiatives also included streamlining the Group's Audiological Care store network by combining certain store locations to improve efficiency while protecting sales. Whenever possible, employee number reductions were carried out through natural attrition. Total related job cuts affected less than 5% of the total global workforce in the 2020/21 financial year.



Strategic areas

# Acting with integrity

We behave ethically and apply the highest quality and safety standards to everything we do.

## Product quality, safety and reliability

### Regulatory and standards

Sonova’s medical devices are regulated globally by government agencies, healthcare authorities, and other regulatory bodies who verify that we are complying with applicable health and safety regulations throughout our products’ life cycle. We work to maintain transparent, constructive, and professional relationships with all applicable regulatory authorities on matters of policy, product submission, compliance, and product performance. The requirements we meet include design controls, marketing approvals, good manufacturing practices, vigilance systems, clinical studies, and other relevant product regulations, standards, and normative documents specified by these agencies.

Each national healthcare authority has specific requirements for products that are made available in its national territory. Requirements for hearing instruments in Europe are mostly centered around European legislation, including the Medical Device Regulation 2017/45, the Radio Equipment Directive 2014/53/EU, and requirements for conformity to other applicable international standards. In the US, hearing instruments are regulated by the United States Food and Drug Administration (FDA) and classified as class I medical devices (hearing aids) and class II (wireless hearing aids). Both categories are exempt from the requirement to submit premarket notification submissions and can be introduced into commercial distribution without a premarket FDA clearance notification.

Cochlear implants and their respective accessories from Advanced Bionics in Europe are regulated by the Medical Device Regulation 2017/45; prior to market launch, class III medical devices must undergo a formal premarket submission-type process. In the US, they are classified as class III medical devices and must also therefore undergo a separate premarket submission procedure prior to market launch.

Sonova carefully monitors changes in the relevant worldwide regulatory environment to ensure that its products conform at all times.



### Sonova and the United Nations Sustainable Development Goals (SDGs)

Through this strategic area, Sonova mainly contributes to SDGs 3, 8, 9 and 16. More information is provided in the corresponding section of this CR Report: [Sustainable Development Goals](#).

GRI 416-1

SASB HC-MS-410a.1

## Product quality and safety management

SASB HC-MS-430a.1, SASB HC-MS-430a.3

All our operation centers and major Group companies are certified according to the ISO 13485 standard and fulfill the requirements for quality management systems of the US FDA Quality System Regulation, Title 21 CFR Part 820. Third-party audits are conducted at all ISO 13485 certified operation centers and major Group companies on an annual basis to maintain the quality of manufacturing, management, and products, including materials and components.

Sonova conducts internal audits of its established systems at planned intervals to determine the effectiveness of the quality management system and its conformance to the requirements of ISO standards, FDA Regulations, other country specific and MDSAP requirements. Sonova has established procedures to define responsibilities and requirements for planning and conducting audits, and for reporting results and maintaining records. The audit program is planned based on consideration of past audit results, significance and status of the processes and areas to be audited. The audit process also defines the audit criteria, scope, frequency, and methods. Qualified personnel who are independent of the task being audited may conduct the audits. Management, at its discretion, may employ outside resources to conduct the internal audits. Audit findings are documented and reported to the responsible management, who ensure that actions are taken without undue delay to eliminate detected nonconformities and their causes. Reports of corrective actions, their review and other follow-up activities are also documented and filed. These data are reviewed for trends.

Based on our supplier visits and assessments, the percentage of direct material suppliers with a quality management system that is certified and audited by a third party is above 90% of the purchasing volume.

We evaluate potential product-related risks using a systematic method to estimate, evaluate, control, and monitor risks; this is governed by the ISO 14971 standard, which specifies the application of risk management to medical devices. We ensure up to date knowledge of regulatory and statutory requirements through initial and maintenance training programs. Employees, independent of their employment contract, are qualified to perform their tasks based on their education, training, and experience. General requirements are established based on job responsibilities and are identified in position descriptions. Employees are provided general training on the Quality Management System and on health, environment, and safety as applicable. In-depth training needs for work performed are systematically identified and documented. Training effectiveness is verified.

The topic of product safety is an integrated element of the product design and development process. Design and development inputs are documented and include but are not limited to functionality, performance, and safety requirements according to the intended use, applicable statutory and regulatory requirements, environmental impact, and clinical, user, and patient needs. Changes to the design inputs are approved in the same manner as the original design input. We conduct regular in-house product testing to validate design and external third-party testing to ensure compliance to standards/requirements.

All products brought into commercial distribution by Sonova Group companies are continuously assessed to improve safety and effectiveness. Sonova uses tools such as complaint handling, post-market surveillance, vigilance reporting, reliability and trending analysis, and post-launch engineering to achieve and maintain regulatory compliance. We comply with the requirements for product serialization, track and trace technology including barcoding, as mandated by existing local regulations in various regions and countries across the globe.

SASB HC-MS-430a.2

Customer complaints are documented and reviewed for product safety and product performance trends through an established system that complies with applicable regulatory and legal requirements. Early warnings of quality problems become an input for the corrective and preventive action processes. Records of customer complaints and resulting investigations are maintained. If investigation determines that activities outside Sonova contributed to the customer complaint, relevant information is exchanged with the contributing organization. If a customer complaint is not followed by corrective or preventive action, the reason is authorized and recorded. Documented procedures are established to assure that regulatory authorities are notified according to national or regional regulations whenever advisory notes or recalls are necessary and/or adverse events occur that meet specified reporting criteria. Decisions are made based on risk analysis and health hazard evaluation as applicable. Sonova has established a process for assessing and reporting to the FDA and Regulatory Agencies of other countries those customer complaints that resulted in an adverse event.

In 2020/21, there were no listings associated with the Sonova Group that appear in the "Medical Devices" category of the U.S. Food and Drug Administration (FDA)'s MedWatch Safety Alerts for Human Medical Products database. There have not been any fatalities related to products as reported in the FDA Manufacturer and User Facility Device Experience. To ensure compliance with current Good Manufacturing Practice, Sonova global facilities have been subject of several regulatory agency inspections during the reporting year. In 2020/21 there have not been any FDA enforcement actions, such as FDA Form 483 notices or FDA Warning Letters (or equivalent notices from other regulatory agencies). There were no Class I or Class II (or equivalent) product recalls at Sonova during the 2020/21 financial year.

At Advanced Bionics, the safety and hearing experience of recipients and the reliability of our products are prime concerns, and we are committed to continuous reliability improvement. For example, we adopt more stringent test standards than what are demanded by regulatory authorities. Details can be found in the annual Global AB 2020 Reliability Report. For reporting purposes, we have adhered to the global ISO 5841-2:2014 standard and the principles outlined in the European Consensus on Cochlear Implant Failures and Explantations. We are also reporting to ANSI/AAMI CI86Standard – Cochlear Implant Systems: Requirements for Safety, Functional Verification, Labeling and Reliability Reporting.

In the previous 2019/20 financial year, Advanced Bionics undertook a voluntary field corrective action and retrieved from the market the unimplanted units of the initial version of its HiRes™ Ultra and Ultra 3D cochlear implants. The vast majority of these devices function correctly, but the company took this step in an abundance of caution, having observed an increase in reports of reduced hearing performance. Most importantly, there have been zero reported safety events relative to this issue and these devices. The initial version of the HiRes™ Ultra 3D implant has been superseded by a new version, which includes several improvements to support consistently good hearing performance.

### Product reliability global targets

Continuously improving product reliability and reducing repairs takes priority at Sonova. We have set the target of improving average product reliability rate, for both hearing instruments (HI) and cochlear implants (CI), by more than 20% year-over-year. We define the HI product reliability rate as the ratio between the annualized number of in-warranty product returns over the past three months and the number of hearing instruments in the market and within warranty (installed base). We define the CI product reliability rate as the Naida pediatric system monthly product returns divided by the number of registered Naida processors used by pediatric recipients. The target specifies the Naida pediatric system because external parts constitute the vast majority of all product returns, and return rates for pediatric products are higher than those for adults.

[SASB HC-MS-250a.1, SASB HC-MS-250a.2, SASB HC-MS-250a.3, SASB HC-MS-250a.4](#)



[Advanced Bionics 2020 Global Implant Reliability Report](#)

Product reliability rates year-over-year improvements

improvement vs. previous year

	2020/21	2019/20
HI reliability rate	21%	4%
CI reliability rate	32%	27%

A dedicated global and cross-functional team sponsored by the Sonova Management Board was set up to work on continuous process improvements and root cause analysis of product returns and repairs, with the aim of significantly improving reliability of existing and future products. In 2020/21, we improved the average HI product reliability rate by 21% and the CI product reliability rate by 32% compared to the previous year and thus achieved the annual targets of >20% for both HI and CI. Key measures implemented in the past year included product design adjustments, manufacturing process refinements, active dialog with suppliers to improve manufacturing processes of product components, launches of new, more reliable products, and hardware and software improvements to existing products.

## Responsible supply chain

### International supply chain

Sonova deals with 352 direct material suppliers who deliver components for manufacturing and assembly to its hearing instruments segment, and 124 direct material suppliers to its cochlear implant segment. In spending terms, 69.5% of Sonova’s purchase volume is in the Asia/Pacific region, 10.5% in Switzerland, 17.4% in Europe (excl. Switzerland), 2.5% in North America, and 0.2% in Africa. Our suppliers are mainly high-tech design and component makers, or original equipment manufacturers with a high degree of automation. Sonova engages only a very small number of contractors and licensees.

Sonova’s own manufacturing operations extend from fully automated processes, such as hybrid circuit production, to highly skilled manual work, such as assembly of hearing aids and cochlear implants.

### Commitment, policies and guidelines

Our suppliers are an integral part of our international value chain: a risk to them is also a risk to our company and our customers and consumers. Sonova requires that all our suppliers be as committed to sustainable development as we are.

The Sonova Group Supplier Principles (SGSP) are based on a range of international standards, customer requirements, and industry characteristics. These principles are non-negotiable; they are the first basis of contact with possible suppliers. Once a supplier has been approved as a Sonova partner, the SGSPs, the General Conditions of Purchase, as well as the Sonova Code of Conduct are incorporated into all development and supply agreements. All suppliers have to certify in written form that they will now and at all times in the future comply with these standards and principles in all of their Sonova-related dealings, activities, products, and services. Sonova includes this certification in all supply agreements, and periodically requests suppliers to renew their accord. The SGSPs are available in English and German and are publicly available on the Sonova website. The SGSPs require suppliers to put in place and maintain systems that ensure:

- healthy and safe working environments;
- respectful and dignified working conditions;
- environmentally friendly production; and
- legal and ethical behavior.

GRI 102-9



[Sonova Group Supplier Principles \(SGSP\)](#)



The SGSPs were last revised in 2019 and the updated version was published on the Sonova website. All existing suppliers were contacted to secure their agreement with the updated version of the principles.

### Identification of critical suppliers

SASB HC-MS-430a.3

In the 2020/21 financial year, we had nine critical tier-1 and non-tier-1 suppliers. Critical suppliers for Sonova include suppliers whose items or materials have a direct impact on the performance of our products or come into direct contact with the skin of users (critical components), whose items or materials are not substitutable (e.g. due to criteria related to technology, sustainability, quality, regulations), and who supply high volumes. The classification of critical suppliers is carried out at the beginning of each new supplier relationship and is reviewed regularly.

You can find further information on the management of risks associated with the use of critical materials in the sections [Product quality, safety, and reliability](#) and [Eco-friendly products](#).

### Supplier risk evaluation and mitigation

The procurement department actively participates in the design and planning of Sonova products, solutions, and services. It makes sure from the earliest development stages that a risk assessment is performed for every component, based on the "Risk and Risk Mitigation Matrix" defined by the procurement department.

Sonova assesses all new suppliers on their management systems, including their compliance and management procedures, as well as on environmental, human rights, and labor practices. Our personnel audit and/or visit potential supplier sites and inspect their management capabilities – through employee interviews, document reviews, on-site inspections, and third-party information searches – to assess potential risks and identify opportunities for improvement. If deficiencies are found, we require the suppliers to take corrective and preventive actions before we begin any active business relationship. A candidate that fails to meet the requirements will not be accepted as a Sonova supplier.

GRI 308-1, GRI 414-1

After careful supplier selection, we maintain a continuous supplier management process. We annually assess supplier risks, including environmental, social, and governance (ESG) risks, and identify the risk level for each supplier. We manage our suppliers based on their risk level, regularly risk-auditing supplier sites. If a problem occurs, we require the suppliers to take preventive and corrective measures, and we follow up on their progress until the issue is resolved.

We are committed not to use any conflict materials for any product supply to Sonova. Since 2007, Sonova has been proactively asking suppliers to review their sources of materials and confirm the absence of conflict minerals.

### Supplier visits and audits

GRI 308-2, GRI 414-2

In the 2020/21 financial year, Sonova was not able to visit or audit its critical suppliers because of the restrictions related to COVID-19. In 2020/21 we have not identified any critical tier-1 or non-tier-1 supplier as having significant actual or potential negative concerns related to environmental issues, labor practices, or human rights matters. No suppliers, therefore, had to take corrective or preventive actions. Examples of key performance indicators, targets and progress related to responsible supply chain management until 2022/23 are the following:

Responsible supply chain management KPIs and targets

KPIs	2022/23 target	2020/21	2019/20	2018/19	2017/18
Share of new and existing tier-1 suppliers having signed the Sonova Group Supplier Principles (SGSP)	100%	100%	100%	100%	100%
Share of critical suppliers visited or audited at least once per business year	100%	0%	100%	100%	100%
Share of purchase volume coming from suppliers with certified environmental management systems	75%	75%	72%	66%	52%

Long-term supplier collaboration

Sonova strives for long-term collaborations and long-term contracts with its suppliers. In the 2020/21 financial year, 84% of the total purchase volume came from suppliers with more than 10 years of business relationship with Sonova and 97% of the total purchase volume came from suppliers with more than 5 years of partnership. Sonova also offers its suppliers financial support to buy necessary equipment and technology.

The global health and economic crisis resulting from the COVID-19 pandemic is impacting global supply chains and logistics. Sonova is in a constant and close dialog with key suppliers and partners to monitor and manage the impact of the crisis. Our first priority is protecting the health of our global team, followed immediately by assuring that our operations continue while complying with emergency regulations.

## Human rights and labor practices

Commitment and policies

Sonova respects and supports human rights. This commitment extends throughout our worldwide operations and along our entire value chain. It is reflected in our Code of Conduct and Group Supplier Principles (SGSP) and embedded in our company culture. It is fundamental for us to treat everyone with respect and fairness. We value the varied experiences and backgrounds of individuals from different countries, walks of life, and orientations.

Sonova is formally committed to maintaining high standards of business ethics and integrity in accordance with the law, as well as recognizes human rights and labor standards as outlined in international human rights frameworks such as the:

- Universal Declaration of Human Rights (UDHR)
- United Nations International Covenant on Civil and Political Rights
- United Nations International Covenant on Economic, Social and Cultural Rights
- International Labor Organization (ILO) - Core Labor Conventions
- United Nations Guiding Principles on Business and Human Rights (UNGPs)
- OECD Guidelines for Multinational Enterprises
- OECD Due Diligence Guidance for Responsible Business Conduct
- OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas

Sonova signed the UN Global Compact in 2016, endorsing its ten principles in the areas of human rights, labor, the environment, and anti-corruption. All employees of the Sonova Group, as well as its business partners, are expected to comply with the Compact’s principles.



[Sonova Group Supplier Principles \(SGSP\)](#)

In 2020/21, we went through a consultation process involving internal and external experts to develop a new global policy providing a worldwide framework for our human rights support, values and principles across our entire business. The policy will be published in 2021/22.

### Human rights due diligence (HRDD)

GRI 412-1

Sonova is committed to aligning its human rights due diligence (HRDD) process with the United Nations Guiding Principles on Business and Human Rights (UNGP). Our aim is to conduct HRDD throughout our business to proactively assess, identify, prevent, and mitigate actual and potential adverse human rights impacts on potentially affected rightsholders across the value chain. To this end, Sonova set up a cross-functional internal human rights working group in 2020/21, which draws on the help of external business and human rights experts, and started to implement a stepwise HRDD project plan.

The process framework follows five steps as required by the UNGP:

- Affirm policy commitment
- Assess actual and potential impacts
- Integrate findings and take appropriate action
- Track and communicate performance
- Enable access to grievance & remedy

### Risk assessments

GRI 408-1, GRI 409-1

In 2020/21, Sonova conducted an overall human rights risk assessment based on international standards such as the UNGP and OECD Guidelines. The risk assessment was performed by the cross-functional internal human rights working group, together with external business and human rights experts. The assessment included our global value chain with a focus on prioritization of potential human rights issues and based on the severity of the risk to potentially affected people. Using a range of methods, including value chain mapping, issue mapping, consultations and interviews, desk research, and internal workshops, we identified the salient human rights issues that are described in the section below. This risk assessment exercise will be followed by an in-depth human rights impact assessment in 2021/22 to conduct meaningful engagement with relevant stakeholders.

In the 2020/21 financial year, no specific concerns were raised relating to human rights violations. Sonova's internal audits and supplier assessments found no operations or supplier businesses with specific incidents related to violations of human rights, such as child labor, forced or compulsory labor, illegal labor, or limitation of freedom of association or collective bargaining. Therefore, no remediation or mitigation actions needed to be taken.

### Focus human rights issues areas

Sonova is committed to respecting internationally recognized human rights and does not attribute more importance to one human right than to another. We do, however, assign priority to those rights that are most salient to our business, as determined by the human rights risk assessment described above. The list, which appears below, will be adapted as required based on future human rights risk and impact assessments.

In prioritizing key human rights issues according to their scale, scope and remediability, Sonova recognizes that negative impacts on human rights may be particularly severe for some people due to their vulnerability or marginalization. Sonova recognizes that the evaluation of the severity of potential impacts may change and that other issues may grow in importance over time. We will therefore regularly reevaluate the key issues based on further assessments and regular dialog with internal and external stakeholders, including but not limited to government representatives, customers, and patient groups.

Human rights issue	Definition of human rights & issue illustration
<b>Access to healthcare</b>	Access to healthcare must be non-discriminatory and can be physical, economic (affordability) and informational in its nature. According to the UN Committee on Economic, Social and Cultural Rights, "health facilities, goods and services must be within safe physical reach for all sections of the population, especially vulnerable or marginalized groups (...)" <sup>1</sup> .
<b>Child labor</b>	Child labor refers to work performed by people under 18 and is prohibited by international standards. Employment or work may be authorized as from the age of 15 years (or 14 in certain developing countries) on condition that the health, safety, and morals of the young persons concerned are fully protected and that the young persons have received adequate specific instruction or vocational training in the relevant branch of activity (special protections for young workers).
<b>Community and land rights</b>	This term refers to all fundamental rights pertaining to local communities, including those recognized as pertaining to indigenous people, that are impacted by business activities. Issues related to land rights are most frequently disputed between companies (and governments) and local communities, as they may have direct consequences for a wide set of fundamental rights (e.g. right to housing, right to life, right to food and water, right to social security, property access rights, cultural identity, etc.).
<b>Contributing to conflict</b>	A company can potentially become involved in or contribute to social or political unrest or conflicts leading to heightened tension, violence and human rights abuses. In fragile environments (e.g. conflict-affected areas), companies shall avoid by any means complicity with governmental/non-state actors' (armed groups, militia, extremists) abuses. Moreover, they shall be aware that an excessive control on key resources (e.g. food, water and electricity supply) and other abusive business decisions have potential consequences on local communities, both during conflict and in post-conflict.
<b>Customer safety</b>	Customer safety refers to the company's approach to preventing negative impacts of its products and services on consumers' health and safety. It includes consumers' right to be properly informed about potential hazards.
<b>Employment practices</b>	In the context of labor rights, this term refers to all practices that are not mentioned under other issue areas, including contracts specifying the terms of conditions for work, working hours, social security, and fair wages. Fair wages ensure workers and their families a decent standard of living (living wage). Elements of a decent standard of living include food, water, housing, education, health care, transport, clothing, and other essential needs, including provision for unexpected events.
<b>Freedom of association and collective bargaining</b>	Freedom of association expresses the right of workers to freely join trade unions or employee associations, while collective bargaining is defined as the "negotiation between employers or employers' organizations and workers' organizations, with a view to the regulation of terms and conditions of employment by means of collective agreements." <sup>2</sup> The two concepts are inextricably linked, the first being a prerequisite for the realization of the second. Moreover, they both imply the recognition of the right to strike. Each of these rights shall be guaranteed by the company and no retaliation/reprisal shall be tolerated in exercising those rights.
<b>Information security and data protection</b>	Information security and data protection refer to all measures implemented by the company to protect the confidentiality and integrity of personal information and data transmitted by workers, clients, suppliers, business partners, and any other stakeholders. The company shall guarantee at all times the proper use, processing and storage of data. This right is ultimately founded on the human right to privacy.
<b>Modern slavery and forced labor</b>	Modern slavery includes compulsory, bonded, or child labor, human trafficking, and forced labor. Forced or compulsory labor is "all work or service which is exacted from any person under the threat of a penalty and for which the person has not offered himself or herself voluntarily." <sup>3</sup>
<b>Non-discrimination</b>	Discrimination in employment and occupation includes "any distinction, exclusion or preference made on the basis of race, color, sex, religion, political opinion, national extraction or social origin, which has the effect of nullifying or impairing equality of opportunity or treatment in employment or occupation" <sup>4</sup> .
<b>Occupational health and safety</b>	Occupational health and safety deals with all aspects of health (physical or mental) and safety in the workplace.

<sup>1</sup> UN Committee on Economic, Social and Cultural Rights (CESCR), General Comment No. 14: The Right to the Highest Attainable Standard of Health (Art. 12 of the Covenant), 12b, 11 August 2000, E/C.12/2000/4

<sup>2</sup> International Labour Organization (ILO), Right to Organise and Collective Bargaining Convention, C98, 1 July 1949, C98, Art. 4

<sup>3</sup> International Labour Organization (ILO), Forced Labour Convention, C29, 28 June 1930, C29, Art. 2

<sup>4</sup> International Labour Organization (ILO), Discrimination (Employment and Occupation) Convention, C111, 25 June 1958, C111, Art. 1

## Training

General human rights standards are specified in the Sonova Code of Conduct, on which annual mandatory training is given to all Sonova employees worldwide. The training in 2020/21 had a specific focus on the topics of nondiscrimination and non-harassment,

including how to identify and report potential violations (grievance mechanism). Further training on human rights topics is planned for all employees as well as specific roles throughout 2021/22.

## Business ethics and legal compliance

### Code of Conduct and internal regulations

Sonova's commitment to compliance promotes ethical conduct between colleagues at all levels of the organization, and also in our dealings with our stakeholders. Compliance means that we follow applicable laws and regulations of each country in which we operate while also abiding by our own Code of Conduct and internal regulations. The ultimate oversight for business ethics and compliance lies with the Board of Directors.

Sonova's Code of Conduct defines general principles for ethical behavior; it applies to all employees of the Sonova Group, all its subsidiaries, and any contractors or vendors while they are performing work for the Sonova Group. Written acknowledgment of the Code of Conduct is part of every new employment and supplier contract.



[Sonova Code of Conduct](#)

The Code of Conduct is reviewed regularly and revised when necessary. It was prepared by the office of the Group General Counsel in consultation with relevant stakeholders and was approved by the Sonova Board of Directors on August 23, 2012, updated in September 2019, and reapproved by the Board of Directors. The Code of Conduct covers all relevant aspects of Sonova's business operations from compliance with laws and regulations, conflicts of interest, and anti-competition to Sonova's social and environmental responsibility. It includes such topics as dignity and human rights, diversity and inclusion, non-discrimination, and safety in the workplace. The Code of Conduct is available in 18 languages.

Each employee is required to be trained on the Code of Conduct. All new employees of the Sonova Group, including all its subsidiaries, are trained on its principles as part of their initial orientation. Suppliers are regularly instructed to ensure that they adequately understand and can comply with the Code of Conduct. Annual mandatory Code of Conduct training is given to all Sonova employees worldwide, including part-time employees. The training explains the content of the Code of Conduct and how to identify and report potential violations, such as conflict of interest, harassment, fraud, discrimination, corruption, or breach of secrecy. The Group targets >95% on-time completion for employee annual mandatory Global Compliance training. In 2020/21, this annual target was achieved with a training completion rate of 95.9%. For the 2021/22 financial year the target completion rate has been revised to 98%.

The principles of the Code of Conduct are further refined in various internal guidelines and policies, including – but not limited to – anti-bribery, interaction with healthcare professionals, competition law, trade compliance, and Swiss Stock Exchange reporting obligations. Non-compliance with the company's Code of Conduct or Sonova's internal policies and guidelines triggers disciplinary action, including – where appropriate – dismissal and prosecution. The requirements for conflict resolution, including e.g. the use of independent parties, are determined on a case by case basis.

Sonova's internal audit function audits compliance with the key policies and reports these to the Audit Committee.

## Group Compliance program

Compliance is everyone's responsibility at Sonova. Ultimate oversight lies with the Board of Directors. The Management Board sets the tone at the top for a strong compliance culture. Local Compliance Champions ensure implementation of the Group Compliance program within each Group company. The Group Compliance program covers all employees, including part-time workers, contractors, and all business partners.

We have reinforced Code of Conduct compliance with "Speak-Up!", an internal communication and training campaign rolled out across the worldwide Sonova Group. It focuses particularly on employees with less access to online reporting channels, such as those in operations or audiological care stores. Its two main goals are to increase awareness of the revised Code of Conduct and to foster a culture where employees feel comfortable about raising compliance questions and reporting compliance issues. Posters are visibly displayed in numerous locations and clearly indicate how to easily report non-compliance.

No fines or non-monetary sanctions for non-compliance were levied against Sonova in the 2020/21 financial year.

## Internal grievance procedures

Sonova strongly encourages every employee who knows of or suspects a violation of applicable laws, regulations, the Code of Conduct, or the company's related policies and procedures – including those relating to accounting, internal controls and auditing matters – to report that information through the Speak-Up system. This 24-hour anonymous grievance reporting system is operated by an independent third-party provider. Employees can use Speak-Up to report concerns they may not otherwise want to report directly to their supervisor or compliance manager. Employees or third parties can report a concern either by phone or via a secure website. All local phone numbers and websites are listed in the Appendix to the Code of Conduct.

Reported violations are promptly investigated and treated confidentially to the extent reasonably possible. The Company does not tolerate any kind of retaliatory actions against any employee who, in good faith, reports suspected wrongdoing, or complains about violations of the Code of Conduct or other internal policies. The Audit Committee of the Board of Directors is informed quarterly about concerns received through the compliance channels, the number and types of cases, and the measures taken.

In the 2020/21 financial year, a total of 94 Speak-Up complaints from 19 countries were reported to the Compliance Department. Of the reported cases, 62% involved allegations of inappropriate behavior. The next most recurring complaints were of fraud (15%) and conflicts of interest (9%). Less-reported issues included data processing (7%) related allegations, sexual harassment (4%), and bribery (3%). All allegations were promptly addressed by the internal investigation team, supported by external experts as needed. Over 61% of the complaints were substantiated and followed up with corrective actions, ranging from written warnings or performance improvement planning up to termination of employment (13 employees were terminated this year).

## Corruption and bribery

Sonova is committed to high standards of integrity in dealing with its business partners and to compliance with all applicable anti-bribery laws, including the Swiss Criminal Code, the UK Bribery Act, and the US Foreign Corrupt Practices Act. Sonova's Anti-Bribery Policy was updated in 2018, refining the rules under the Code of Conduct and prohibiting all forms of corruption. Key elements of Sonova's Anti-Bribery Policy are:

GRI 419-1

GRI 102-17

GRI 205-2



[Sonova Global Anti-Bribery Policy](#)



- **Bribes:** As a matter of principle, Sonova avoids dealing with third parties known or reasonably expected to be paying bribes in any form. Potential bribery/corruption risks are therefore an integral component of our business partner due diligence, which is performed not only before entering a business relationship but also regularly thereafter, following a pre-defined process.
- **Facilitation payments:** Sonova does not permit making facilitation payments.
- **Direct or indirect political contributions:** Sonova does not allow donations to political parties.
- **Charitable contributions and sponsorship:** Sonova, its employees, and representatives may make contributions to support charitable causes, subject to appropriate due diligence (including the amount contributed, and the nature and purpose of the charity's activities). Contributions should be made for bona fide purposes and only where permitted by local law.

The Anti-Bribery Policy has been communicated to all Sonova employees worldwide and is available in 15 languages. Sonova business partners – such as distributors or suppliers – must commit to complying with the principles underlying the Anti-Bribery Policy. The content of the Anti-Bribery policy is integrated in the annual mandatory Global Compliance training for all employees.

As a global healthcare company, we also recognize that many countries have specific regulations governing interactions with healthcare professionals. These impose further obligations which the company has translated into country-specific guidelines detailing what is permissible and what is not.

The Sonova Group Supplier Principles also cover ethical standards, including compliance with laws and regulations on bribery, corruption, and prohibited business practices. These have been communicated to all our suppliers who are regularly instructed to ensure that they adequately understand and are able to comply with all anti-corruption policies and procedures.

In 2020/21, there were no monetary losses as a result of legal proceedings associated with bribery or corruption.

[SASB HC-MS-510a.1](#)

### Anti-competitive behavior

At the core of Sonova's Code of Conduct there is a clear commitment to fair competition. Fair competition is essential because it guarantees that customers and consumers will benefit from the most innovative products and services at the best prices and conditions. At Sonova, we respect and strictly follow antitrust and competition laws.

[GRI 206-1](#)

Sonova's Global Competition Law Policy describes the basic principles of fair competition in doing business. All Sonova employees worldwide must comply with the principles it sets out. An updated Global Competition Law Policy became effective as of May 1, 2020. The roll out of the revised policy was supported by bespoke global online training. Both the policy and the training are available in 19 languages.

In the 2020/21 financial year, Sonova was not involved in any legal actions related to anti-competitive behavior or violations of anti-trust and monopoly legislation.

## Data privacy and digital ethics

### Data privacy and protection

Sonova protects the confidentiality and integrity of the data it holds, including the data of employees, customers, patients, and business partners using technical and organizational means. We adhere to applicable data protection laws and regulations. We closely monitor

developments in data protection law and incorporate its principles into our business processes and product design. We continue evolving our data protection program to meet the changing demands of the digital environment.

Sonova issued a Group Data Protection Policy, effective June 1, 2018. The policy covers all personal data collected or processed by Sonova, and applies to all Sonova legal entities and their employees and contractors on a worldwide basis. The policy is complemented by standard operating procedures and guidelines that break down the various data protection and privacy topics and provide more detailed guidance.

Sonova has established a Global Privacy Office, which provides subject matter guidance and training to the management, business functions and employees. The Global Privacy Office is also responsible for the support and monitoring of the Sonova Data Protection Program. The Global Privacy Office is supported by a team of over 100 Privacy Champions representing and supporting the task of embedding Privacy at the Group company level. The implementation of the Program is part of the regularly conducted internal audits, and the Global Privacy Office and the Internal Audit Team are working closely together when conducting the audits and monitoring deriving actions.

In addition, an important part of the Global Privacy Office's work is to raise awareness and provide training on all levels across the Group. A mandatory online training for all employees is deployed by the Global Privacy Office, complemented by on- and offline trainings for specific departments and teams (e.g. Marketing, HR, R&D), webinars and communication platforms for knowledge exchange. These trainings contain the essential legal principles and requirements, taking into consideration Sonova's Data Protection Policy and legal frameworks like the EU General Data Protection Regulation (GDPR), the Health Insurance Portability and Accountability Act (HIPAA), the California Consumer Privacy Act (CCPA), the Personal Information Protection and Electronic Documents Act (PIPEDA) or Data Protection and Security laws in China.

We have not identified substantiated complaints concerning breaches of customer privacy in 2020/21.

### IT and cyber security

GRI 418-1

At Sonova, protecting our information assets is a priority. We are committed to securing digital and non-digital files, records, and information to prevent unauthorized access, modification, and loss. Sonova's IT and cyber security is supported by guidelines issued by the Vice President Corporate IT, who oversees the company's information and cyber security and acts as Chief Information Officer (CIO), reporting directly to the Group CFO. The guidelines on IT security determine security standards for all functional or business applications controlled by Sonova. The Board of Directors receives regular updates on cyber security from the CIO and the Management Board.

Sonova issued its IT Acceptable Use Directive in 2012/13; it is regularly revised and was last updated in 2018/19, effective as of January 1, 2019. The guideline defines the use of IT assets, the secure use of systems and programs, as well as the appropriate and secure management of data. The Information Security Guideline, effective as of October 31, 2019, specifies processes and responsibilities to ensure IT and cyber security, including the security of digital information processed and stored on our products. This policy framework continues to be amended and supplemented, e.g. with directives on remote working or application security.

In 2020/21, we launched a global program to maintain and inform best cyber security practice among Sonova's employees worldwide. This year's program focused on further enhancing security monitoring, incident detection and resolution capabilities. Next year's will focus on an in-depth review of critical business applications and their security hardening.

## ACTING WITH INTEGRITY

Our continuing efforts to ensure IT and cyber security are underpinned by mandatory annual online training for all employees worldwide. During the 2020/21 financial year, training topics included best practice for password protection, information management responsibilities, and appropriate online behavior. Relevant global and local staff received additional specific training in implementing the IT and cyber security guidelines.

Sonova has put in place an efficient and comprehensive system to identify and assess strategic, operational, financial, legal, and compliance risks related to the Group's business activities – including IT and cyber security risks. Further information on how Sonova monitors and mitigates those risks are provided in the section "Risk Management" in this chapter.

Sonova has business continuity/disaster recovery plans and incident response procedures in place, which are tested regularly. In areas with heightened exposure or security risk, penetration tests are applied annually by qualified external providers. In addition, we conduct third-party vulnerability analysis from time to time, including simulated hacker attacks in selected IT security risk areas. Sonova also holds an information security risk insurance policy.

Sonova has not experienced material information security breaches during the 2020/21 reporting period.

As part of IntACT, our enhanced ESG Strategy, we committed in 2020/21 to establish a digital ethics committee by the end of the financial year 2021/22.

## Corporate governance

### Structure

At Sonova, corporate governance is based upon, and structured to conform with, relevant standards and practices. The company meets its legal duties under the Swiss Code of Obligations, the SIX Swiss Exchange Directive on Information relating to Corporate Governance, and the standards defined in the Swiss Code of Best Practice for Corporate Governance. The present chapter in the CR Report gives a high-level overview of the principles of corporate governance for the Sonova Group and provides background information with a special focus on environment, social and governance (ESG) issues. More detailed information can be accessed at the [corporate governance chapter of the 2020/21 Annual Report](#) and at the corporate governance section of the Sonova website.

Sonova's corporate structure includes a two-tier board consisting of the Board of Directors and the Management Board. In accordance with the Sonova Organizational Regulations (OrgR), the Board appoints an Audit Committee and a Nomination and Compensation Committee. In all respects not mentioned in the OrgR, or unless the law or the Articles of Association stipulate otherwise, the policy document 'Delegation of Authority of Sonova Holding AG' provides the basis for delegating authorities within the different levels of management in the Group.

### Composition of the highest governance body and its committees

The composition of the Board of Directors and its committees is described in detail in the relevant section of the [corporate governance chapter of the 2020/21 Annual Report: Board of Directors](#).

The Articles of Association of Sonova Holding AG state that the Board of Directors must consist of a minimum of three and a maximum of nine members. The Board of Directors is chaired by Robert F. Spoerry and currently consists of nine non-executive members.

GRI 102-18, GRI 102-19



[Sonova Organizational Regulations \(OrgR\)](#)

GRI 102-18, GRI 102-22, GRI 102-23

The Nomination and Compensation Committee and the Board of Directors evaluate current and prospective members of the Board according to a skills and experience competency matrix to ensure that an appropriate mix of relevant skills and experience is represented in the Board of Directors. In the nomination and evaluation processes, by following the matrix criteria, the Nomination and Compensation Committee as well as the Board of Directors are committed to consider characteristics such as, and including but not limited to, gender, age, nationalities or country of origin, ethnicity, cultural background, ways of believing, and mindsets to establish balance in terms of diversity and inclusion.

As part of our ESG strategy, we strongly believe that a more balanced gender representation on the Board of Directors is in the best interests of the Sonova Group, and we are committed to achieving a 30% proportion of women on the Board well before the time this becomes a legal requirement in 2026.

### Nomination and selection for the highest governance body and its committees

The processes for determining the composition of the Board of Directors and its committees, as well as the division of responsibility between the Board of Directors and Management Board, are set out in detail in the company's OrgR and Committee Charters.

The members of the Board of Directors and of the Nomination and Compensation Committee of Sonova Holding AG are elected by the General Shareholders' Meeting for a term of office until completion of the next ordinary General Shareholders' Meeting. If a replacement is elected to the Board of Directors during a member's term, the newly elected member finishes the predecessor's term. The Audit Committee is elected by the Board of Directors according to Article 2 of the Committee Charters.

The members of the Management Board are proposed by the CEO and appointed by the Board of Directors upon the recommendation of the Nomination and Compensation Committee. More details on the Management Board are provided in the relevant section of the [corporate governance chapter of the 2020/21 Annual Report: Management Board](#).

Article 4 of the OrgR governs how Sonova deals with potential conflicts of interest. Cross-board memberships of the Board of Directors and significant shareholders (holding more than 3% of shares) are disclosed in the [corporate governance chapter of the 2020/21 Annual Report](#). Related party transactions, if any, are disclosed in the Annual Report notes to the Group consolidated financial statement.

### Roles, policy, and strategy

The OrgR and the Committee Charters define the roles and the duties of the highest governance bodies. The Board of Directors of Sonova Holding AG is responsible for the overall direction of the company, except in matters reserved by law to the General Shareholders' Meeting. It approves policy and strategy. The CEO has the duty and authority to link the company's strategy with its operational management by preparing the corporate strategy documents, policies, and procedures for submission to the Board of Directors' review and approval. The Management Board supports the CEO in his responsibility to direct the company's operations by actively participating in directing, planning, and executing the business strategy.

### Competencies and performance evaluation

The Board of Directors conducts an annual self-assessment evaluating its efficiency, effectiveness, and internal cooperation. The purpose is to enhance the Board's understanding of the business and the company, evaluate and define its role, particularly in relation to management, and make best use of the human capital represented on the Board of Directors. More detailed information is available in the corporate governance report.



[Articles of Association of Sonova Holding AG](#)

GRI 102-24, GRI 102-25



[Sonova Committee Charters](#)

GRI 102-26

GRI 102-28

## Consultation between stakeholders and the highest governance body

GRI 102-21, GRI 102-29

Sonova actively engages with a broad range of stakeholders on ESG topics as described in the “[Stakeholder engagement](#)” chapter of this CR Report. Internal reporting procedures ensure consultation between stakeholders and the highest governance body on topics deemed highly relevant.

## Compensation and incentives

The [compensation report](#) is an integral part of the 2020/21 Annual Report and covers the compensation principles, system, and key components, with a focus on the Board of Directors and Management Board as the governing bodies. Sonova complies with the Swiss Ordinance against Excessive Compensation in Stock Exchange Listed Corporations, which among other matters stipulates annual binding votes on the compensation of the Board of Directors and Management Board.

Sonova is committed to the principle of equal pay for equal work, and is taking all necessary steps in its position management and grading processes to ensure a fair compensation system. The company regularly reviews its compensation in terms of relevant local legal and regulatory equal pay requirements as they continue to evolve.

The variable cash compensation (VCC) for the Management Board is based on Group, business unit, and individual performance objectives. In line with our strategy, and to reflect Sonova’s corporate responsibility and sustainable business approach, business relevant ESG targets have been formally reflected in the VCC from the second half of the 2020/21 financial year. As already outlined in the 2019/20 compensation report, 10% of the overall VCC targets for each member of the Management Board were shifted (5% each from the financial and from the individual targets) and linked to specific, tangible ESG related initiatives. The performance objectives that must be met to achieve the target VCC are mutually agreed at the beginning of the financial year.

ESG targets for the second half of the financial year were defined around seven categories, with energy and climate, as well as employee engagement, set as a target for all Management Board members. Additionally, members each had a selection of targets set depending on their role and responsibilities. These included product quality and customer satisfaction, product reliability, environmentally friendly packaging, business ethics and legal compliance, as well as human rights and responsible supply chain.

The Board of Directors and the Management Board decided to take a number of COVID-19 related short-term compensation measures, which are outlined in further detail in the [compensation report](#).

## Risk management

GRI 102-11, GRI 102-30

Sonova has implemented an efficient system to identify and assess strategic, operational, financial, legal, reputational, and compliance risks related to the Group’s business activities. The risk management function categorizes risks by impact and likelihood and supports the Management Board in determining the measures necessary to address or mitigate them. In accordance with the Audit Committee Charter, the Audit Committee reviews the company’s risk assessment prepared by Risk Management before it is presented to the Board of Directors. The Board of Directors approves the risk assessment and provides guidance from a strategic point of view. To continuously monitor key risks and their mitigation, Risk Management prepares risk status reports which are discussed by the Management Board and presented to the Audit Committee on a quarterly basis. Currently, Sonova’s Group Risk Map consists of 33 risks, of which 13 are designated as key risks.

## ACTING WITH INTEGRITY

ESG issues are an integrated part of Sonova's strategic risk management process. Topics such as climate change, human rights and labor practices, loss of key talent, infringement of data privacy, cyber security and infringement of information security are evaluated in the regular risk assessment process together with all other business risks.

Internal Audit carries out compliance and operational audits and assists the business units in attaining their goals by providing assurance from independent evaluation of the effectiveness of internal controls in processes. Management is responsible for the control of business risks and for compliance with laws and regulations. The Head of Internal Audit & Risk reports to the Chair of the Audit Committee. The Audit Committee approves the annual work plans of Internal Audit and ensures that the relevant Group companies are adequately reviewed according to their risk scoring. The Audit Committee also reviews and discusses the reports on completed audits submitted by Internal Audit. Internal Audit, together with business controlling, monitor the implementation by Group companies of any measures necessary to address findings from previous audits, and provides quarterly reports to the Audit Committee.

The Group has a comprehensive compliance program in place which is administered by the Head of Global Compliance and Data Privacy and overseen by the General Counsel & Compliance Officer. Quarterly compliance reports are provided to the Audit Committee and an annual compliance report is addressed to the Board of Directors.

In response to COVID-19, Sonova established global and national Crisis Response Teams that meet often and maintain close mutual communication. The response to the pandemic has been structured in three phases: 1) Health and Safety 2) Protecting the Core and 3) Preparing for the Rebound. Disaster Recovery and Business Continuity Planning is being updated to reflect the experiences of the Crisis Response Teams and Group companies worldwide.

## Ethical marketing and sales practices

### Policies and guidelines

Sonova strictly adheres to ethical marketing practices in all our businesses and takes active steps to prevent inappropriate practices or false claims. We ensure that our advertising, packaging, and promotional materials provide accurate, balanced, and non-misleading information. This commitment is laid out in our Group Code of Conduct and further refined in policies, guidelines, and standard operating procedures, e.g. on claims management (see below).

### Interactions with healthcare professionals

Sonova is committed to ethical interactions with healthcare professionals (HCPs). We interact with HCPs on a daily basis, in a variety of roles and settings. They include audiologists and acousticians, professors, surgeons, ear nose and throat specialists, or researchers. The following "Four-Leaf Clover Principles" govern our cooperation with healthcare professionals:

- We must strictly separate our sales activities from our engaging of healthcare professionals to provide services to Sonova;
- We must properly document their services to us;
- We must not pay them more than the fair market value of their services; and
- We must be transparent about our collaboration with them.

More detailed information on how we ensure ethical interactions with healthcare professionals is provided in the Sonova Global Antibribery Policy as well as internal standard operating procedures and country-specific guidelines for interactions with HCPs.

SASB HC-MS-240a.2



[Sonova Code of Conduct](#)

SASB HC-MS-510a.2



## Claims management

Sonova is committed to ensure that statements declaring or implying that a product, service, or any other Sonova solution will provide a benefit to customers or consumers are truthful, non-misleading, and fair. We have established a claims management process that defines how to assess, substantiate, and monitor a claim for solutions from all Sonova brands. Claims go through a standardized review and approval process by a dedicated committee before being disseminated. The purpose is to ensure both compliance with global regulatory requirements and a high quality standard of claims. Relevant employees have to complete annual training on the claims management standard operating procedure. A mandatory training for all employees will be launched in 2021/22. In 2020/21 an external third-party audit of the claims management process and systems was conducted. As of 2021/22, the claims management process and systems will be subject to regular external audits.

In 2020/21, there were no monetary losses as a result of legal proceedings associated with false marketing claims.



[Sonova Global Antibribery Policy](#)

[SASB HC-MS-270a.1](#)

## Taxes

Sonova is a Swiss-based multinational enterprise, with operations almost entirely headquartered in the canton of Zurich where the Group develops, manufactures, and distributes products marketed under multiple brands. Sonova operates in more than 100 countries and owns local wholesale distribution and audiological care subsidiaries in over 30 countries. With this business structure, Sonova's tax contribution encompasses various direct and indirect, corporate, and employee taxes, as well as customs duties, that make a significant contribution to societies around the world.

### Tax strategy and policies

Sonova is committed to the highest level of tax compliance and directs its international flow of goods in line with all applicable tax regulations. Sonova's tax approach is fully compliant with the spirit as well as the letter of local tax laws and regulations, reporting and filing obligations in all countries of operation as well as in complete alignment with relevant international standards.

As laid down in Sonova's Code of Conduct, Sonova strives to attain the highest standards in complying with laws, rules, regulations, reporting, filing, and disclosure requirements. This also applies to tax matters. The publicly available Sonova Tax Principles provide high level information on procedures and internal guidelines for tax compliance within the Sonova Group, that is for all legal entities that are majority-owned or otherwise controlled directly or indirectly by Sonova Holding AG. The Sonova Group Tax Principles were approved by the Board of Directors and released by the CFO in February 2019.

Sonova's commitment to tax transparency and responsibility is further expressed in policies and processes, mostly for internal use only, that guide compliance with direct and indirect taxes, as well as transfer pricing.

### Approach towards taxation

Key elements of Sonova's approach towards taxation are:



[Sonova Group Tax Principles](#)

- **Taxes follow the business:** Sonova is committed not to transfer value created to low tax jurisdictions. Sonova does not use non-business-related offshore structures (so-called “tax havens”), nor does the Group allocate functions or risks to international structures purely for tax reasons. Sonova avoids the acquisition of non-business-related offshore structures. An important step during the integration process for newly acquired companies is to unwind acquired tax schemes and bring the tax structure of the new business fully in line with Sonova’s tax policy and BEPS (Base Erosion and Profit Shifting) principles.
- **Full compliance:** Sonova fully complies with the spirit and letter of local laws and regulations, and is aligned with internationally recognized standards such as the OECD- G20 Inclusive Framework on Base Erosion and Profit Shifting Initiatives as well as European guidelines. Sonova’s complex cross-border operations and added value chains are subject to yearly reviews to align Sonova’s Transfer Pricing Processes. Arm’s length profit allocation within the added value chains is granted through yearly reviews in line with multiple benchmarking analysis. Inter-company transactions are regularly monitored to ensure complete alignment with international standards and Sonova’s internal Transfer Pricing Processes.
- **Cooperation with tax authorities:** Although Sonova has not entered Advanced Pricing Agreements (APAs), it highly values open and proactive cooperation with tax administrations worldwide for any kind of tax matter. We continuously engage in constructive and transparent dialogue with tax authorities as part of our tax compliance policy.

## Organization and reporting

The responsibility for tax compliance lies with the Corporate Tax team, located in Switzerland, the US, and Germany. The team reports directly to the Group CFO. This function coordinates, educates, and supports local controllers in all Group companies to ensure that they achieve tax compliance in line with local and international laws, rules, regulations, reporting, filing and disclosure requirements, as well as Sonova’s standards and policies. The Master Transfer Pricing file is prepared by Corporate Tax, along with a Master Local file. Local files are completed by the local organizations according to the OECD guideline Action 13 and Sonova’s Transfer Pricing Processes with Corporate Tax support.

Sonova has prepared a Country-by-Country Report (CbCR) since 2017, and has filed this with the Swiss Federal Tax Administration since 2018. The Swiss Federal Tax Administration shares the file through automatic information exchange with tax authorities worldwide, as foreseen by the BEPS initiative.

Information on earnings before tax, reported taxes, reported tax rate, cash taxes paid, and cash tax rate can be found in the 2020/21 Sonova Financial Report. Sonova’s tax rates might be lower than industry group averages because of group-wide net operating losses and net operating losses from previous periods in subsidiaries of acquired groups. Furthermore, Sonova is a Swiss-based multinational enterprise with large activities, substance, risks and assets in Switzerland, and the Swiss tax rate is lower than the global average tax rate. Cash tax paid is largely influenced by advanced as well as final adjustment payments.

Sonova has also introduced a further reporting tool to monitor, collect, and where applicable report information under Mandatory Disclosure Reporting, as introduced under EU directive DAC-6 (enacted as of 2018). Since the first European country started applying the new directive, Sonova has checked about 140 cases and in eight cases has opted to report to comply beyond any reasonable doubt with the formalistic approach of the Directive.

## Public policy

As a general rule, Sonova does not allow donations to political parties. This principle is stipulated in our Global Anti-Bribery Policy.



[Sonova Global Anti-Bribery Policy](#)

Sonova actively participates in associations and external initiatives to share its specialist knowledge and to ensure highest quality standards for hearing instruments and cochlear implants.

We are a member of the European Hearing Instrument Manufacturing Association (EHIMA), the Hearing Instrument Manufacturers' Software Association (HIMSA), the Hearing Industries Association (HIA), the Hearing Instrument Manufacturers' Patent Partnership (HIMPP), and the Hearing Industry Research Consortium (IRC). Arnd Kaldowski, CEO of the Sonova Group, is member of EHIMA's Board of Directors. Founded in 1985, EHIMA represents the major European hearing instrument manufacturers. In 2020/21, Sonova contributed around 540,000 CHF in membership fees to trade associations and non-commercial organizations. Amongst the largest contributions are membership fees and contributions to Hear-it AISBL, an international non-profit information resource on hearing loss, SwissHoldings, the federation of Swiss-based multinational enterprises, and EHIMA.

Since 2016, Sonova is a signatory to the UN Global Compact, a United Nations initiative with a focus on corporate citizenship, dialogue with stakeholders, partnerships, and communication. Sonova is part of both the global and local Swiss networks of the UN Global Compact.

## Animal welfare

As a manufacturer of medical devices, Sonova is required by regulatory authorities to demonstrate the biological safety of any product with body contact by complying with the international standard ISO 10993-1. According to this standard, animal tests need to be considered in biological safety evaluations; in some cases, they cannot be completely avoided. Sonova also provides components of cochlear implants to cochlear implant research centers and universities, where these are tested on animals for basic research concerning e.g. safety, feasibility or efficacy of new technologies.

[SASB HC-MS-410a.1](#)

Sonova does not carry out any animal testing in-house and only works together with third parties. We are committed to the "Three Rs" principle – replacement, reduction, and refinement – to limit animal testing as far as possible.

### Replacement

- We use non-animal testing methods (in particular testing with cell cultures) or chemical constituent testing in situations where these methods are accepted by the respective regulatory bodies and yield information as relevant as that obtained from in vivo models.
- We monitor the development and regulatory acceptance of new in vitro methods.

### Reduction

- We apply strategies to reduce the number of animals used in testing.
- We use previously evaluated or historically established biologically safe materials whenever possible, by taking advantage of shared research between the different

Sonova companies around the world. We strive to avoid completely any unnecessary or duplicated testing.

- We emphasize risk assessment to evaluate clearly any need for animal testing.

### Refinement

- We select those test methods that minimize the distress caused to animals.
- We conduct all animal testing for biological safety evaluations through appropriately accredited testing laboratories. All tests are conducted according to recognized valid and current best laboratory and quality practices, such as the OECD Principles of Good Laboratory Practice.
- We conduct animal testing for research collaborations only through universities and research laboratories where experiments are reviewed, approved and overseen by the respective ethics committees.



# Strategic areas

## Protecting the planet

We drive the transition to a resource-efficient and low-carbon future of our operations throughout the lifecycle of our products and services.



### Sonova and the United Nations Sustainable Development Goals (SDGs)

Through this strategic area, Sonova contributes to SDGs 6, 7, 9, 12, and 13. More information is provided in the corresponding section of this CR Report: [Sustainable Development Goals](#).



[Sonova Group Environmental Policy](#)

## Our approach

### Commitment and policies

Sonova has made an explicit commitment to continuously promote and pursue environmentally friendly practices throughout the whole lifecycle of its products and across all its business activities. We set the priorities and provide the resources needed to reduce our environmental impact through responsible, efficient management of our buildings and infrastructure, processes, products, and services. Our environmental policy supports Sonova's commitment to environmentally proactive behavior and describes the company's environmental management organization and responsibilities.

### Environmental management systems

As part of its strategy of continuous operational improvement, Sonova has established ISO 14001-certified environmental management systems at all its key manufacturing and distribution centers; these require employees to make sound environmental decisions when designing, manufacturing, and servicing products. For non-manufacturing sites, Sonova has adapted its environmental management system to ensure integration of environmental factors in decision-making and improvement in environmental performance. All key Sonova manufacturing and distribution centers are currently certified to the ISO 14001 standard:

- Sonova AG and Advanced Bionics AG (Stäfa, Switzerland)
- Phonak Communications AG (Murten, Switzerland)
- Sonova Operations Center Vietnam Co., Ltd. (Binh Duong, Vietnam)
- Sonova Hearing (Suzhou) Co., Ltd. (Suzhou, China)
- Sonova USA Inc. manufacturing and distribution centers (Warrenville/Aurora, USA)
- Advanced Bionics LLC (Valencia, USA)



## Environmental goals and targets

Sonova’s new ESG Strategy, IntACT, sets ambitious targets that demonstrate our firm commitment to combating climate change and attaining environmental sustainability. Through energy savings and the transition to renewable energy, we will align our long-term carbon reduction targets with the Science Based Targets initiative (SBTi) aim to keep global warming below 1.5°C.

Sonova’s environmental program sets clearly defined goals and targets. We continuously monitor progress and optimize environmental performance across the Group. The five most important key environmental targets, current progress, and related UN Sustainable Development Goals (SDGs) are outlined in the table below. All our environmental five-year targets have 2017 as the base year and 2022 as the target year. Most of the programs are on track to reach their targets and further measures have been taken where necessary. Sonova will be carbon-neutral across all its owned operations by the end of 2021.

### Sonova 2022 key environmental targets and progress

Goal	2022 target	2020	2019	2018	2017 base year
<b>Energy and climate:</b> Reduce greenhouse gas emissions <sup>1</sup> relative to revenue by 50% (Key SDGs: 7, 9, 12, 13)	9.3 t CO <sub>2</sub> e per million CHF (-50% vs. base year)	11.3 t CO <sub>2</sub> e per million CHF (-39% vs. base year)	14.7 t CO <sub>2</sub> e per million CHF (-21.1% vs. base year)	16.4 t CO <sub>2</sub> e per million CHF (-11.7% vs. base year)	18.6 t CO <sub>2</sub> e per million CHF
<b>Green procurement:</b> Increase share of purchase volume from suppliers with certified environmental management system (EMS) to 75% (Key SDGs: 12, 13)	75%	75%	72%	66%	52%
<b>Materials:</b> Zero <sup>2</sup> substances of very high concern (SVHC) in Sonova products (Key SDG: 12)	0	4	4	3	1
<b>Waste:</b> Increase recycling rate to 60% (Key SDG: 12)	60%	53%	53%	53%	47%
<b>Water:</b> Reduce total water withdrawal per employee by 5% (Key SDG: 6)	17.3 m <sup>3</sup> /FTE (-5% vs. base year)	15.1 m <sup>3</sup> /FTE (-15% vs. base year)	18.1 m <sup>3</sup> /FTE (-0.3% vs. base year)	18.3 m <sup>3</sup> /FTE (+0.3% vs. base year)	18.2 m <sup>3</sup> /FTE

<sup>1</sup> Scope 1&2 + air-travel related Scope 3 emissions.

<sup>2</sup> Above the threshold level of 0.1% by weight according to REACH regulation.

## Environmental legal compliance

GRI 307-1

Thanks to Sonova’s low risk exposure to environmental issues and its strict group-wide environmental management, no fines or non-monetary sanctions were levied against Sonova in 2020 and in previous years for noncompliance with environmental laws or regulations.

# Energy and climate

## Commitment and approach

Climate change is one of the biggest challenges of our time: it requires prompt, effective action from governments, industries, and individuals. Sonova acknowledges its responsibility and is committed to reducing its greenhouse gas (GHG) footprint. In 2020/21, Sonova set the target of becoming carbon-neutral in its own operations (Scope 1+2 emissions) by the end of 2021. We are also committed to further reduce our Scope 3 emissions across the value chain and set science-based long-term emission reduction targets in line with the Science Based Targets initiative (SBTi) aim to keep global warming below 1.5°C. Our strategy includes a steady increase in the energy efficiency of our operations, integrating environmentally friendly energy sourcing and on-site generation,



and optimizing transportation and distribution logistics. Sonova has set up implementation initiatives that focus on our most energy-intensive facilities, while considering other sites that show potential for improvement.

Sonova strives to be trustworthy and transparent with all its stakeholders. We have therefore participated in the Carbon Disclosure Project (CDP) since 2012. The results are publicly available and accessible on the CDP website. The CDP scoring level (Disclosure, Awareness, Management, Leadership) demonstrates a company's level of environmental stewardship, and actions and approaches in managing climate change. In 2020, Sonova received a B management level ranking, recognizing our environmental transparency and climate change related actions.

We are committed to align our disclosures in this CR Report with the recommendations of the Task Force on Climate-related Disclosures (TCFD). The TCFD recommends the use of scenario analysis to assess climate-related risks and opportunities and asks companies to report on the extent to which adequate governance, strategy, risk management, and metrics and targets are in place to address climate issues.

### Climate-related risks and opportunities

We recognize that climate-related risk and opportunities are a relevant topic for our business and that undertaking a TCFD-based scenario analysis is a key step to obtaining greater insight into these potential future risks and opportunities of climate change. It will enable us to adapt Sonova's approach to strengthen our resilience to physical climate-related risks and the transition to a low-carbon economy.

Sonova launched its initial TCFD assessment in 2021. The first task is to identify climate-related risks to which our operations and supply chain are vulnerable. Potential relevant physical risks are heatwaves, drought, heavy precipitation and sea level rise. Potentially relevant transition risks include policy, technology, and market risks. We will next perform a TCFD physical and transition climate change scenario analysis focusing on the climate-related risks we have identified. In this scenario analysis we will use a "business as usual" 4°C scenario (RCP 8.5) for assessing physical climate risks/opportunities and a "high-mitigation" below 2°C scenario (RCP 2.6, IEA SDS and IEA ETP) for assessing transition related climate risks/opportunities. These risks will be assessed for medium and long-term time horizons across the various geographic regions where Sonova operates. The findings will be used for continuous improvement of our strategic risk management process as well as internal and external reporting.

### Energy

In 2020, the total energy consumption of the Sonova Group from heating (fuel oil, natural gas, district heating), electricity, and vehicle fuels (diesel, gasoline, liquefied petroleum gas, liquefied natural gas, ethanol) amounted to 106,827 megawatt-hours (MWh). Of this total, 50,140 MWh can be attributed to the Wholesale business and 56,687 MWh to the Audiological Care business. The Wholesale business accounts for a higher proportion of electricity consumption because of the air conditioning systems necessary in operation centers in China, Vietnam, and the US. On the other hand, the Audiological Care business accounts for a higher proportion of heating because of a stronger presence in Europe, where cold winters make heating more relevant.

Compared to the previous year, total energy consumption reduced by 11% due to the COVID-19 related slowdown in production capacity and the temporary closure of certain facilities during regional lockdowns. Over the past three years, Sonova reduced its total energy consumption by 14%.

GRI 302-1

14%

reduction of total energy consumption compared to 2017 (base year)

Energy consumption

(x) PwC CH

MWh

	2020		2019		2018	
	Audiological Care <sup>1</sup>	Wholesale	Audiological Care <sup>1</sup>	Wholesale	Audiological Care <sup>1</sup>	Wholesale
<b>Total</b>	<b>56,687</b>	<b>50,140</b>	<b>62,270</b>	<b>57,705</b>	<b>63,971</b>	<b>56,351</b>
Heating	28,031	7,146	29,297	9,089	30,991	7,879
Electricity	20,327	31,694	22,020	35,733	20,769	35,405
Vehicle fuels	8,329	11,301	10,953	12,882	12,211	13,067

<sup>1</sup> Extrapolation, only partial data available.

Energy intensity

(x) PwC CH

MWh relative to million CHF revenue

	2020	2019	2018
Total energy consumption (Scope 1 & 2)	106,827	119,975	120,322
Revenues	2,602	2,917	2,763
<b>Energy intensity</b>	<b>41.1</b>	<b>41.1</b>	<b>43.5</b>

Sonova is committed to increasing the share of renewable energy in its total energy budget. In line with our GHG reduction target, we have set a target of 100% renewable electricity for all key manufacturing and distribution centers by 2022. Across the company, our target is to increase the share of renewable energy to 20% of total energy consumption by 2022. In 2020, 19,198 MWh of electricity came from renewable sources, representing an increase in the renewable energy share of total energy consumption from 12% to 18%, compared to 2019. A total of 570 MWh of our renewable electricity was generated by on-site photovoltaic panels at our locations in China and Murten, Switzerland. There are several projects planned for 2021/22 to build further photovoltaic panels across our operations.

Renewable energy

(x) PwC CH

MWh

	2020	2019	2018
<b>Total energy consumption</b>	<b>106,827</b>	<b>119,975</b>	<b>120,322</b>
Non-renewable energy consumption	87,629	105,644	109,704
Renewable energy consumption	19,198	14,331	10,618
Share of renewable energy	18%	12%	9%

Greenhouse gas emissions

By 2022, Sonova aims to achieve a 50% reduction of greenhouse gas (GHG) emissions in relation to revenues compared to the base year of 2017. The GHG total for our target comprises Scope 1, 2, and air-travel related Scope 3 emissions. In 2020, the GHG emissions intensity further declined by 23% from 14.7 to 11.3 metric tons of CO<sub>2</sub> equivalents (t CO<sub>2</sub>e) per million CHF revenues, compared to 2019. This results in a total reduction of GHG emissions intensity by 39% compared to 2017 levels, keeping us on track to achieve our 2022 target. The main reason for this large drop in GHG emissions was largely due to the impact of COVID-19 on our operations and business practices.

GRI 305-1, GRI 305-2, GRI 305-3, GRI 305-4

We have set the target to achieve carbon neutrality across our own operations by the end of 2021. We aim to achieve this by reducing our energy consumption and increasing energy efficiency, switching to renewable energy sources, and offsetting unavoidable emissions. For the latter, we collaborate with an external partner to ensure that we invest only in high quality, certified carbon offsetting projects.

Total Scope 1, 2, and 3 absolute greenhouse gas emissions for 2020 amounted to 63,058 t CO<sub>2</sub>e, a reduction of 17% compared to the previous year (75,868 t CO<sub>2</sub>e) and a reduction of 23% compared to 2017 (82,243 t CO<sub>2</sub>e). The majority of Sonova's GHG emissions are Scope 3 emissions (59% in 2020).

GHG emissions – Scope 1 – 3

(x) PwC CH

t CO<sub>2</sub>e

	2020	2019	2018
<b>Total Scope 1 – 3</b>	<b>63,058</b>	<b>75,868</b>	<b>78,431</b>
Scope 1	12,428	14,145	14,633
Scope 2	13,716	17,974	20,867
Scope 3	36,914	43,749	42,931

23%

reduction of total absolute Scope 1-3 greenhouse gas emissions compared to 2017 (base year)

Sonova Group's absolute carbon footprint of Scope 1 and 2 emissions for 2020 amounted to 26,145 t CO<sub>2</sub>e, down by 9.5% from the previous year's emissions of 28,919 t CO<sub>2</sub>e. The main reason (other than the impact of COVID-19) for the absolute reduction in Scope 1 and 2 GHG emissions is the increased use of renewable electricity in our Wholesale business, as well as group-wide efforts to improve energy efficiency in our infrastructure and production processes. Sonova Group companies continued to develop local carbon footprint reduction measures to collectively reach the 2022 environmental targets. Examples include the replacement of conventional lighting with LED technology across multiple Group companies, the improvement of building automation and optimizing electricity use for heating, ventilation, and air conditioning at our operation centers in Vietnam and China, and electricity use reduction programs which cover the data center, manufacturing, and offices at Advanced Bionics headquarters in Valencia, California.

Greenhouse gas (GHG) emissions – Scope 1+2

(x) PwC CH

t CO<sub>2</sub>e

	2020		2019		2018	
	Audiological Care <sup>1</sup>	Wholesale	Audiological Care <sup>1</sup>	Wholesale	Audiological Care <sup>1</sup>	Wholesale
<b>Total Scope 1+2</b>	<b>16,802</b>	<b>9,342</b>	<b>18,671</b>	<b>13,448</b>	<b>19,386</b>	<b>16,114</b>
Scope 1	7,935	4,493	8,900	5,245	9,584	5,049
Scope 2	8,868	4,849	9,771	8,203	9,802	11,065

<sup>1</sup> Extrapolation, only partial data available.

We also take energy efficiency and carbon reduction into account when renovating existing buildings and constructing new ones. For example, our new Wireless Competence Center in Murten, Switzerland, completed in 2020, is one of the first net-zero office buildings in Switzerland and consumes minimal energy. It was built using mainly renewable and reusable materials, so that construction-related grey energy could be minimized. The building largely regulates itself by absorbing heat and releasing it again when it gets colder outside. The building's photovoltaic array generates 260 MWh of

energy per year, which is a higher amount of renewable and carbon-neutral electricity than is required to run it. This surplus capacity is fed back into the grid and made available to other consumers.

Several Sonova Group companies, e.g. in the UK and Canada, have initiated local cross-functional environmental working groups, which meet regularly, drive local action and increase awareness on environmental topics.

In 2020, we have disclosed Scope 3 emissions for three categories: upstream transportation and distribution (17,471 t CO<sub>2</sub>e), business travel (3,146 t CO<sub>2</sub>e), and employee commuting (16,296 t CO<sub>2</sub>e), which amounts to total Scope 3 emissions of 36,914 t CO<sub>2</sub>e. Throughout 2021/22, we will conduct a full Scope 3 screening to determine other potentially relevant Scope 3 emissions for Sonova to enhance the accuracy of our baseline for setting science-based reduction targets.

### Greenhouse gas (GHG) emissions – Scope 3

(x) PwC CH

t CO<sub>2</sub>e

	2020	2019 <sup>1</sup>	2018 <sup>1</sup>
<b>Total Scope 3</b>	<b>36,914</b>	<b>43,749</b>	<b>42,931</b>
Upstream transportation and distribution	17,471	11,543	11,543
Business travel	3,146	10,648	9,830
Employee commuting	16,296	21,558	21,558

<sup>1</sup> Studies to gauge emissions from upstream transportation and distribution, as well as employee commuting, are based on values from the 2017 study and survey.

### Business-related air travel

Sonova is a global company: business-related air travel cannot be fully avoided and is at times required to maintain and improve operations, as well as to collaborate with internal and external stakeholders. However, we are committed to reduce our carbon emissions from business-related air travel by systematically using information and communications technology to substitute for air travel. In 2020, the carbon emissions from business-related air travel on a group-wide basis declined sharply by 70% compared to the previous year (2019: 10,648 t CO<sub>2</sub>e), down to 3,146 t CO<sub>2</sub>e. Sonova's stringent travel restrictions during the pandemic accelerated the uptake of video conferencing and other technologies. With the anticipated opening of international borders, an increase in air-travel related emissions is expected, however, we remain committed to continue our strict enforcement of travel policies and the continued use of web-conferencing tools.

### Corporate car fleet

The total CO<sub>2</sub>e footprint of Sonova's owned and leased corporate car fleet in 2020 is around 5,196 t CO<sub>2</sub>e in 2020, which represents a reduction of 17% compared with 2019 emissions of 6,259 t CO<sub>2</sub>e. This decrease is mostly due to a fleet-wide reduction in distance driven stemming from COVID-19 related restrictions. Part of our strategy to reduce emissions is to electrify our car fleet over the coming years. To drive the transition towards less polluting vehicles such as electric, hydrogen or hybrid cars, we adjusted Sonova's global car policy in 2020/21 and introduced a stricter CO<sub>2</sub> limit for new cars.

### Employee commuting

In 2020, Sonova conducted a global employee commuting survey, which showed a reduction of 24% in GHG emission from employee commuting since the last global survey carried out in 2017 (21,558 t CO<sub>2</sub>e), amounting to 16,296 t CO<sub>2</sub>e. This reduction in emissions, like that from the corporate car fleet, is strongly linked to COVID-19 and its 'working from home' implications. Our survey shows that COVID-19 measures accounted for a reduction of roughly 30%, and that our CO<sub>2</sub>e emissions would have been around 23,171 t CO<sub>2</sub>e.

As the availability of public transport differs across countries, Sonova's initiatives to promote environmentally friendly commuting are influenced by the local infrastructure. The headquarters in Stäfa established an integral mobility program which provides incentives to use public transport, accompanied by targeted awareness campaigns. This initiative started in 2006 and increased the proportion of employees who commute using public transportation, by foot, or by bike substantially. The target for 2025 is to achieve a share of 67% by further strengthening the mobility program. In 2019, Sonova France also launched a mobility program, with elements including installation of charging stations for electric vehicles (EVs) and financial incentives for using public transport. Since the uptake of electric and hybrid cars is projected to increase over the next years, further EV charging stations were installed across several Group companies, e.g. in Vietnam, the US, and Switzerland, to encourage employees to follow this positive trend. To reward environment-friendly commuting at our operations center in Vietnam, Sonova will build motorbike charging stations in 2021/22, where local employees will be able to charge their e-motorbikes without cost using on-site generated solar energy.

**Upstream transportation and distribution**

In product distribution, air freight is clearly the dominant contributor to Sonova's carbon footprint, accounting for around 98% of relevant CO<sub>2</sub>e emissions. Based on a study conducted in 2020, the total GHG emissions from upstream transportation and distribution are estimated at 17,471 t CO<sub>2</sub>e. This includes the transport GHG emissions arising from the supplier's facilities to our operation centers, our operation centers to our distribution centers, and from our distribution centers to retail stores (own and third parties). Compared to the study in 2017, Sonova's carbon footprint from this source appears to have increased by 51%. The main reason for this substantial increase, however, is the increase in data coverage and improved data quality. For instance, unlike the 2017 study, the 2020 transportation data includes for the first time product returns and repairs for specific locations.

Sonova is committed to reduce its GHG footprint from upstream transportation and distribution and to switch to lower-polluting modes of transportation where this is feasible, such as the switch from domestic air freight to road or the change to sea freight for goods that are heavier in weight and less time-critical. In 2020, Sonova has switched some shipments from air freight to sea freight, thereby generating CO<sub>2</sub>e savings estimated at around 1,400 t CO<sub>2</sub>e. We are also working towards further reductions of packaging weight and volume. Furthermore, we are revisiting our global sourcing and distribution network with the aim to move towards more regional sourcing to reduce distances for transportation and distribution.

## Eco-friendly products

Sonova is committed to minimizing the impact on the environment and human health of its products and packaging throughout their entire life cycle, and to fostering the transition toward a more circular economy. Our global environmental initiatives cover all the life-cycle stages from product design, to procurement and manufacturing, packaging and distribution, consumer use, and end-of-life.

[SASB HC-MS-410a.1](#)

**Product design**

Sonova aims to reduce the use of hazardous substances, avoid other environmental risks, minimize consumption of resources, and design for recycling and easy end-of-life treatment. As part of this endeavor, Sonova performs Life Cycle Assessments (LCA) of selected products.

Through new approaches in product design, we aim to shrink the size of products and reduce material use. One example is RogerDirect™, introduced in 2019. Since 2013, Roger™ wireless communication technology has bridged the understanding gap in loud noise and over distance by transmitting a speaker’s voice directly to the listener. Before RogerDirect™, hearing aid wearers had to plug an extra component into their hearing aids or use an intermediary streamer to receive the Roger signal. New devices equipped with RogerDirect™, such as this year’s Naída Paradise, enable a broader range of hearing solutions without extra components, significantly decreasing their size.

As a medical device manufacturer, the Sonova Group takes a proactive approach to evaluating materials in its products and components to assess environmental, health, or safety risks. Sonova may restrict substances because of customer or legal requirements, or because the company believes it is appropriate, based on a precautionary approach. Evaluating alternative materials is a continuous process, relevant to all stages of production.

The main materials used in Sonova products are polymers (e.g. nylon, silicone, acrylonitrile-butadiene-styrene, acrylic polymers), metals (steel, titanium, tin), and semimetals (e.g. silicon). Sonova complies with the EU directive on Restriction of Hazardous Substances (RoHS 2015/863/EU), which governs the use of heavy metals and halogenated compounds in electrical and electronic equipment, and with the EU’s regulation on the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH EC 1907/2006) for the safe manufacture and use of chemical substances throughout their life cycle. Sonova’s suppliers are also required to prove their compliance with the RoHS directive and the REACH regulation in their respective processes and supply chains.

In accordance with REACH regulation, Sonova continuously updates the list of substances of very high concern (SVHC) that may be present in its products above the regulatory threshold level of 0.1% by weight of the article. This list is made publicly available on the Phonak website. By the end of the 2020/21 financial year, there were four SVHC substances requiring communication in accordance with the REACH regulation: DEHP, 1,3-propanesultone, lead titanium trioxide, and lead. It is our target to have zero SVHC present in Sonova products above the 0.1% threshold level by 2022. In 2020/21, we initiated further process improvements aiming at reducing the number of SVHCs, e.g. enhanced testing of new products – including packaging – as part of the product launch process, and structured and regular review of the SVHC candidate list to assess the impact on new and existing products

Other substances classified as hazardous – but excluded from the RoHS directive – include solder paste and wire, paint, organic solvents, oil emulsions, mineral oil, and water-based cleaning solution. Employees who work with chemicals and hazardous substances, or come into contact with them, are regularly trained in their safe handling.

### Procurement and manufacturing

We insist on environmentally friendly business practices throughout our supply chain: we do not restrict our environmental standards to our own operations, but consider them equally crucial in selecting our suppliers. The Sonova Group Supplier Principles recommend that suppliers use the international ISO 14001 standard as the starting point and basis for their work. All new suppliers are screened using environmental criteria. In 2020, we achieved our 2022 goal – to increase the share of our purchase volume from suppliers with certified environmental management systems (EMS) to 75% - ahead of schedule (2019: 72%). Due to Covid-19 related travel restrictions, this year’s assessment was based solely on desk research and did not involve internal or external audits and visits. However, based on our previous supplier visits and assessments, the percentage of suppliers actively using an environmental management system and complying with certain environmental standards (with or without certification) is even higher: above 90% of Sonova’s purchase volume.

SASB HC-MS-430a.3

GRI 308-1



[Sonova Group Supplier Principles \(SGSP\)](#)

EMS-certified suppliers

(x) PwC CH

% of total purchase volume (CHF)

	2020/21	2019/20	2018/19
Supplier with certified EMS	75%	72%	66%

Sonova has been advancing the industrial use of 3D printing technology for many years: at the beginning of the millennium, Sonova was one of the first companies to start digitally producing custom shells for In-The-Ear (ITE) hearing aids and earpieces. Today, we print hundreds of thousands of custom-made products every year, such as the Virto™ M-Titanium, combining the strength and lightness of titanium with the versatility of 3D printing to produce Phonak’s smallest custom ITE hearing aid – and saving material with a shell that is thinner than traditional custom shells.

Packaging and distribution

We continuously strive to further reduce the amount of waste we generate, and the carbon footprint of our product packaging and transportation. Our SLIM packaging project aims at a substantial reduction in the packaging size and weight of selected hearing aids, along with the number of hard cases. In 2019, we implemented a SLIM packaging solution that reduces packaging materials volume and carbon footprint by almost 40% per shipped pair compared to the previous packaging concept, as revealed by an internal comparative screening life cycle analysis. The largest climate change impact from our packaging arises in the transportation phase. Since the SLIM packaging is lighter, the impact from transport is significantly lower.

During 2020/21, Sonova set a new 2023 target to reduce packaging waste by 20% in terms of weight from a 2020 baseline.

Consumer use

An important research and development task is improving product energy efficiency during use. We also provide a broad range of repair and refurbishment services to lengthen the life cycle of our products and their components.

Since 2018, we have continuously increased the proportion of products that are based on our proprietary SWORD™ (Sonova Wireless One Radio Digital) chip – a low-voltage radio chip with the lowest power consumption of any hearing aid using Bluetooth®1 Classic.

Since 2016, Sonova’s Phonak, Unitron, and Hansaton brands have continuously expanded their portfolios of hearing aids with a built-in lithium-ion rechargeable battery. Our increasing focus on rechargeable hearing solutions helps us to reduce the use of disposable batteries. Advanced Bionics also offers rechargeable battery options for cochlear implant sound processors.

1) The Bluetooth® word mark is a registered trademark owned by the Bluetooth SIG, Inc. and any use of such marks by Sonova AG is under license.

Product end-of-life

Sonova complies with the EU directive on Waste Electrical and Electronic Equipment (WEEE), which requires such equipment to be returned to the manufacturer for recycling or environmentally friendly disposal.

Sonova Group companies in the Audiological Care business offer different battery collection programs, in which customers can bring their used hearing aid batteries back to the store or take home a box, collect their batteries and bring them back to the store for recycling. The batteries collected are forwarded and disposed of through officially



SASB HC-MS-410a.2



authorized disposal agents. In 2020, approximately three metric tons of batteries were collected at different stores worldwide. One example is the battery collection initiative of Connect Hearing Canada, where customers can collect their used hearing aid batteries in "The Little Green Box" and return them to the clinic for recycling once the box is full.

GRI 306-2

## Waste

For Sonova, dealing with materials sustainably means avoiding or reducing waste wherever possible, collecting recyclables separately, and disposing of hazardous waste in environmentally compatible ways. Our 5-year target from 2017 to 2022 is to increase the recycling rate to 60% through group-wide efforts to reduce waste, improve waste separation, and foster recycling. As part of IntACT, our new ESG Strategy, we raised our 2023 targets not only to increase our operational waste recycling rate but to reduce by 20% our product and transportation packaging waste by weight, compared to our 2020 baseline.

53%

of total waste recycled

In 2020, the recycling rate remained stable at 53%. We reduced the amount of total waste by 8% compared to the previous year, which is in line with the reduction in production volume. Recycling waste decreased by roughly 7% compared to the previous year, to 1,063 metric tons. Solid waste sent to disposal, such as municipal solid waste or material left over from manufacturing processes, decreased by 101 metric tons to 894 metric tons.

Sonova complies with legal requirements to transport and dispose of hazardous waste solely through officially authorized disposal agents. The main categories of hazardous waste substances are solvents, oil emulsions, paints, adhesives, soldering paste, filters, petroleum, and washing fluids. The amount of hazardous waste was slightly reduced in 2020 to 37 metric tons.

### Waste

metric tons

	2020	2019	2018
<b>Total waste</b>	<b>1,994</b>	<b>2,179</b>	<b>2,201</b>
Non-hazardous waste	894	995	995
Hazardous waste	37	39	40
Recycling waste	1,063	1,146	1,165
<b>Recycling rate</b>	<b>53%</b>	<b>53%</b>	<b>53%</b>

GRI 303-1

## Water

Sonova uses water provided by utilities primarily for sanitary services and kitchen and garden areas. Our manufacturing processes do not require significant amounts of water. In our environmental program we therefore mainly focus on conserving water in our office buildings, e.g. with low-volume water equipment in restrooms.

Sonova takes a systematic approach to managing ESG risks, both in its supply chain and in its own operations. Risks related to water are reviewed and assessed together with all other business risks. In the 2020/21 financial year, Sonova conducted a basic physical water risk analysis on the geographic water-catchment area (basin level) for its major production and manufacturing sites, using the WWF's Water Risk Filter tool. The analysis revealed that the majority of sites are not located in water stressed regions.

**PROTECTING THE PLANET**

The sources of all water withdrawn are municipal water supplies or other public or private water utilities. Compared to 2019, water consumption at Group level dropped by 19% from 139,707m<sup>3</sup> to 112,589 m<sup>3</sup>. This significant reduction is mainly related to Covid-19 containment measures such as increased home working and regional lockdowns in several countries. Compared to 2017, when water consumption per employee was 17.8m<sup>3</sup>, our target for 2022 was to reduce our water consumption by 5% to 17.3m<sup>3</sup>. Our water consumption per employee has currently decreased by 15% compared to the 2017 baseline, but is expected to rise again as business returns to normal. Despite this anticipated upturn, we are committed to further intensifying measures to achieve our 2022 target.

Sonova returns water to the sewage system without contamination. The company has experienced no spills from operating processes or other instances of water contamination.

**Water use**

m<sup>3</sup>

	<b>2020</b>	<b>2019</b>	<b>2018</b>
Total municipal water supply	112,589	139,707	140,627
Municipal water supply per full-time employee (FTE)	15.1	18.1	18.3

## Biodiversity

Sonova’s global activities, products, and services have a limited direct or indirect impact on biological diversity and natural ecosystems, such as loss of biodiversity, destruction of natural habitats, and deforestation.

[GRI 302-1, GRI 303-1, GRI 305-1, GRI 305-2, GRI 305-3, GRI 306-2](#)

## Environmental reporting and system boundaries

Sonova’s environmental data monitoring and reporting includes energy consumption, CO<sub>2</sub>e footprint, materials, waste disposal, and water consumption and is based on the calendar year. The company reports and discusses environmental performance to the limits of the available data. Actual data was collected whenever possible, and estimated if data collection was not feasible given the decentralized organizational structure of these businesses and their small, often rented facilities.

The tables in the section ‘Protecting the planet’ show environmental data from Sonova Group companies that operate as headquarters, manufacturing sites, or wholesale distributors, as well as Group companies with audiological care activities. CO<sub>2</sub>e footprint and energy consumption data are provided for all entities in the 2020 environmental data reporting. Waste and water data were collected for all Group companies that operate as headquarters, key manufacturing and distribution centers, or larger wholesale distributors. For Group companies with only audiological care activities, waste and water data are only monitored where feasible and not included in this report. Overall, the entities covered in the waste and water data reporting account for 51% of Sonova’s global employees.

Sonova’s environmental management system monitors greenhouse gas emissions arising from its consumption of electricity, heating oil, natural gas, district heating, and vehicle fuels such as diesel and gasoline. The company measures its carbon footprint using country-specific grid emission factors and, if available, specific emission factors provided by energy utilities. Scope 2 emissions were calculated using the ‘market-based’ approach

## PROTECTING THE PLANET

in accordance with the Greenhouse Gas Protocol Scope 2 Guidance. When reported according to the 'location-based' approach, the Scope 2 emissions were 21,202 t CO<sub>2</sub>e. Sonova purchased 11,647 MWh as renewable energy certificates (RECs), which were accounted for under the market-based approach for Scope 2. The measurement methodology and reporting format for the carbon footprint are based on the standards and guidance of the Greenhouse Gas Protocol. Sonova followed the financial control consolidation approach for setting organizational boundaries. Key emission factor sources for calculating greenhouse gas emissions include the International Energy Agency (IEA) for electricity and the UK Government GHG Conversion Factors for Company Reporting for other emissions sources. Global warming potentials from the IPCC's fourth assessment report (AR4) were applied to calculate CO<sub>2</sub> equivalents. Relevant gases included are CO<sub>2</sub>, CH<sub>4</sub>, and N<sub>2</sub>O.

Sonova differentiates between direct emissions (Scope 1) deriving from sources such as burning natural gas or vehicle fuels, indirect emissions (Scope 2) from sources such as using electricity, and indirect emissions (Scope 3) from upstream transportation and distribution, business travel, and employee commuting. For the car fleet and air travel data, all Sonova Group companies were taken into account.



## Reporting practice

GRI 102-50, GRI 102-51, GRI 102-52

Sonova reports in an annual cycle. The 2020/21 reporting period covers the financial year from April 1, 2020 to March 31, 2021. The most recent previous Annual Report and Corporate Responsibility Report were released on May 19, 2020.

The Sonova Corporate Responsibility (CR) Report for 2020/21, when combined with the 2020/21 [business and financial report](#), complies with the Global Reporting Initiative (GRI) Standards and forms an integral part of Sonova's UN Global Compact Communication on Progress. See our [GRI content index](#) for details on how the report content maps against the GRI Standards and UNGC principles. See our [SASB index](#) for details on how the report content maps against the Sustainability Accounting Standards Board (SASB) standards governing sustainability disclosure topics and accounting metrics for the medical equipment & supplies industry. These indices refer solely to the content of the online CR Report. Additional relevant information about economic performance and remuneration is provided in the [compensation report](#), [corporate governance report](#), and [financial review chapters](#) of the Annual Report.

GRI 102-45, GRI 102-1

## Entities

The information and data provided relate to the entire Sonova Holding AG, including its Group companies, unless explicitly noted. Some ESG data stem from actual data collection, whereas other data from particular Group companies were only estimated. Whenever applicable, it is stated in the respective sections whether the data are measured or estimated.

GRI 102-1, GRI 102-2, GRI 102-3, GRI 102-4, GRI 102-5, GRI 102-6, GRI 102-7

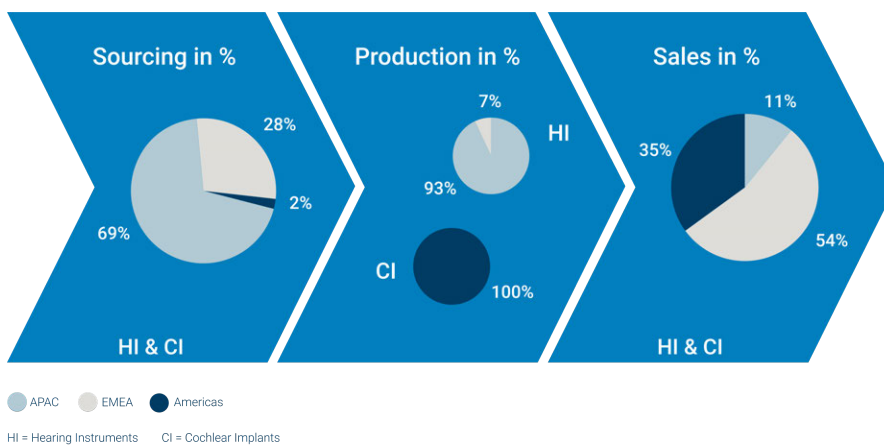
## Organizational profile

Sonova, headquartered in Stäfa, Switzerland, is a leading provider of innovative hearing care solutions. The Group operates through its core business brands Phonak, Unitron, Hansaton, Advanced Bionics and the brands of the Audiological Care business, e.g. AudioNova, Geers, Boots Hearing Care, Connect Hearing and Lapperre. Sonova offers its customers one of the most comprehensive product portfolios in the industry – from hearing instruments to cochlear implants to wireless communication solutions. Pursuing a

## REPORTING PROFILE

unique vertically integrated business strategy, the Group operates through three core businesses – Hearing Instruments, Audiological Care and Cochlear Implants – along the entire value chain of the hearing care market. The Group’s sales and distribution network, the widest in the industry, comprises over 50 own wholesale companies in over 30 countries and more than 100 independent distributors. This is complemented by Sonova’s Audiological Care business, which offers professional audiological services through a network of around 3,300 locations in 20 key markets. Founded in 1947, the Group has a workforce of over 14,000 dedicated employees and major operation sites in Switzerland, the United States, China, and Vietnam. Across all businesses, Sonova pursues its vision of a world where everyone enjoys the delight of hearing and therefore lives a life without limitations.

Sonova Holding AG is a Swiss public limited company. More details on our products, services, brands, and activities as well as financial information, including a list of significant shareholders are provided in the 2020/21 [financial report](#) and [business report](#).



GRI 102-10, GRI 102-48, GRI 102-49

## Restatements and significant changes

There were no significant changes during 2020/21 in the scope, boundary, or measurement methods applied in the report that would require a restatement of information provided in earlier Sonova CR Reports. There were no significant changes to the organization’s size, structure, ownership, or supply chain that could cause or contribute to significant ESG impacts during the reporting year. The list of material topics has been last updated in 2019/20 as described in the section [IntACT – Sonova’s ESG Strategy](#).

GRI 102-54

## Declaration and assurance

This report has been prepared in accordance with the GRI Standards: Core option.

PricewaterhouseCoopers AG has provided independent assurance on specific data outlined in the CR Report 2020/21. For more detail, see the [Independent Assurance Report](#). The compensation report, the consolidated financial statements, and the financial statements of Sonova Holding AG in the 2020/21 Annual Report have been audited by a statutory external auditor.

## Contact

If you have questions regarding this 2020/21 CR Report or its contents, please contact Sonova AG, Laubisrütistrasse 28, 8712 Stäfa, Switzerland.  
Phone: +41 58 928 01 01 | Email: [responsibility@sonova.com](mailto:responsibility@sonova.com)



# Independent Assurance Report

## on the Sonova Corporate Responsibility Reporting 2020/21 Stäfa

We have been engaged to perform assurance procedures to provide limited assurance on the aspects of the 2020/21 Corporate Responsibility (CR) Reporting of Sonova Holding AG, Stäfa and its consolidated subsidiaries ("Sonova Group").

### Scope and subject matter

Our limited assurance engagement focused on the selected CR indicators for the year ended on 31 March 2021 published on Sonova's website<sup>(1)</sup> <https://report.sonova.com/2021> marked with (x) PwC CH and summarized in the GRI content index:

- the tables disclosed in the sections 'Advancing our people' and 'Protecting the planet' marked with (x) PwC CH; and
- the management of reporting processes with respect to the CR Report and the preparation of CR indicators as well as the related control environment in relation to data aggregation of CR indicators.

### Criteria

The management reporting processes with respect to the CR reporting and CR indicators were prepared by Sonova Group based on the internal policies and procedures as set forth in the following:

- the Sonova Group internal CR reporting guidelines based on the 'GRI Standards' published in October 2016 by the Global Reporting Initiative;
- the Sonova Group internal reporting manuals 'Environmental Reporting' dated 31st of March 2020 and 'HR KPI Calculation Factsheet'; and
- Procedures, by which the data for the CR indicators reporting is gathered, collected and aggregated internally.

### Inherent limitations

The accuracy and completeness of CR indicators are subject to inherent limitations given their nature and methods for determining, calculating and estimating such data. Our assurance report should therefore be read in connection with Sonova's internal guidelines, definitions and procedures on the CR reporting.

### Sonova's responsibility

The Board of Directors of Sonova Holding AG is responsible for both the subject matter and the criteria as well as for the selection, preparation and presentation of the selected data and information in accordance with the criteria. This responsibility includes the design, implementation and maintenance of related internal control relevant to this reporting process that is free from material misstatement, whether due to fraud or error.



### Our responsibility

Our responsibility is to express a limited assurance conclusion on whether anything has come to our attention to indicate that the identified CR information selected and contained in this report and as published on Sonova's website<sup>(1)</sup> <https://report.sonova.com/2021> and marked with (x) PwC CH is not stated, in all material respects, in accordance with the reporting criteria.

We planned and performed our procedures in accordance with the International Standard on Assurance Engagements (ISAE 3000) (Revised) 'Assurance engagements other than audits or reviews of historical financial information', and, in respect of greenhouse gas emissions, with the International Standard on Assurance Engagements (ISAE 3410) 'Assurance Engagements on Greenhouse Gas Statements'. These standards require that we plan and perform the assurance engagement to obtain limited assurance on the identified sustainability information prepared, in all material aspects, in accordance with Sonova's internal policies and procedures.

A limited assurance engagement under ISAE 3000 (Revised) and ISAE 3410 is substantially less in scope than a reasonable assurance engagement in relation to both the risk assessment procedures, including an understanding of internal control, and the procedures performed in response to the assessed risks. Consequently, the nature, timing and extent of procedures for gathering sufficient appropriate evidence are deliberately limited relative to a reasonable assurance engagement and therefore less assurance is obtained with a limited assurance engagement than for a reasonable assurance engagement. The procedures selected depend on the assurance practitioner's judgement.

### Our independence and quality control

We are independent of the Sonova Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) that are relevant to our audit of the financial statements and other assurance engagements in Switzerland. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### Summary of the work performed

Our assurance procedures included, amongst others, the following work:

- **Evaluation of the application of Group guidelines**  
Reviewing the application of the Sonova Group internal CR reporting guidelines;
- **Site visit and management inquiry**  
Remote site visit procedures at Sonova USA Inc. The selection was based on quantitative and qualitative criteria;  
Interviewing personnel responsible for internal reporting and data collection at the site and at the Sonova Corporate level;
- **Assessment of the key figures**  
Performing tests on a sample basis of evidence supporting selected CR indicators concerning completeness, accuracy and consistency;
- **Review of documentation and analysis of relevant policies and principles**  
Reviewing relevant documentation on a sample basis, including Sonova Group CR policies, management of reporting structures and documentation.

**Conclusion**

Based on our work performed nothing has come to our attention causing us to believe that in all material respects:

- The CR indicators outlined in the scope and subject matter section and published on Sonova's website<sup>(1)</sup> <https://report.sonova.com/2021> marked with (x) PwC CH are not stated in accordance with Sonova Group internal policies and procedures; and
- The management of reporting processes with respect to the CR Report and the preparation of CR indicators as well as the related control environment in relation to data aggregation of these key performance indicators are not functioning as designed.

PricewaterhouseCoopers AG



Stephan Hirschi



Raphael Rutishauser

Zurich, 14 May, 2021

1) The maintenance and integrity of Sonova's website is the responsibility of the Board of Directors; the work carried out by us does not involve consideration of these matters and, accordingly, we accept no responsibility for any changes that may have occurred to the CR indicators or reporting criteria when presented on Sonova's website.



About this CR Report

# GRI content index

## GRI content index



This is our **Communication on Progress** in implementing the principles of the United Nations Global Compact and supporting broader UN goals.

We welcome feedback on its contents.

Disclosure	Description	UNGC	SDG	Reference	External assurance
<b>GENERAL STANDARD DISCLOSURES</b>					
<b>1. Organizational profile</b>					
102-1	Name of the organization			<a href="#">Reporting profile</a>	No
102-2	Activities, brands, products, and services			<a href="#">Reporting profile</a>	No
102-3	Location of headquarters			<a href="#">Reporting profile</a>	No
102-4	Location of operations			<a href="#">Reporting profile</a>	No
102-5	Ownership and legal form			<a href="#">Reporting profile</a>	No
102-6	Markets served			<a href="#">Reporting profile</a>	No
102-7	Scale of the organization			<a href="#">Reporting profile</a>	No
102-8	Information on employees and other workers	6	8	<a href="#">Advancing our people</a>	Yes
102-9	Supply chain			<a href="#">Acting with integrity</a>	No
102-10	Significant changes to the organization and its supply chain			<a href="#">Reporting profile</a>	No
102-11	Precautionary Principle or approach			<a href="#">Acting with integrity</a>	No
102-12	External initiatives			<a href="#">Acting with integrity</a>	No
102-13	Membership of associations			<a href="#">Acting with integrity</a>	No
<b>2. Strategy</b>					
102-14	Statement from senior decision-maker			<a href="#">Message from the CEO</a>	No
<b>3. Ethics and integrity</b>					
102-16	Values, principles, standards, and norms of behavior	1	16	<a href="#">IntACT – Sonova’s ESG Strategy</a>	No
102-17	Mechanisms for advice and concerns about ethics	1	16	<a href="#">Acting with integrity</a>	No

**4. Governance**

102-18	Governance structure			<a href="#">IntACT – Sonova’s ESG Strategy</a>	No
102-19	Delegating authority			<a href="#">IntACT – Sonova’s ESG Strategy</a>	No
102-20	Executive-level responsibility for economic, environmental, and social topics			<a href="#">IntACT – Sonova’s ESG Strategy</a>	No
102-21	Consulting stakeholders on economic, environmental, and social topics		16	<a href="#">Acting with integrity</a>	No
102-22	Composition of the highest governance body and its committees		5, 16	<a href="#">Acting with integrity</a>	No
102-23	Chair of the highest governance body		16	<a href="#">Acting with integrity</a>	No
102-24	Nominating and selecting the highest governance body		5, 16	<a href="#">Acting with integrity</a>	No
102-25	Conflicts of interest		16	<a href="#">Acting with integrity</a>	No
102-26	Role of highest governance body in setting purpose, values, and strategy			<a href="#">IntACT – Sonova’s ESG Strategy</a>	No
102-27	Collective knowledge of highest governance body		4	<a href="#">IntACT – Sonova’s ESG Strategy</a>	No
102-28	Evaluating the highest governance body’s performance			<a href="#">Acting with integrity</a>	No
102-29	Identifying and managing economic, environmental, and social impacts		16	<a href="#">IntACT – Sonova’s ESG Strategy</a>	No
102-30	Effectiveness of risk management processes			<a href="#">Acting with integrity</a>	No
102-31	Review of economic, environmental, and social topics			<a href="#">IntACT – Sonova’s ESG Strategy</a>	No
102-32	Highest governance body’s role in sustainability reporting			<a href="#">IntACT – Sonova’s ESG Strategy</a>	No
102-35	Remuneration policies			<a href="#">Business report: Compensation report</a>	Yes
102-36	Process for determining remuneration			<a href="#">Business report: Compensation report</a>	Yes
102-37	Stakeholders’ involvement in remuneration		16	<a href="#">Business report: Compensation report</a>	Yes

**5. Stakeholder engagement**

102-40	List of stakeholder groups			<a href="#">Stakeholder engagement</a>	No
102-41	Collective bargaining agreements	3	8	<a href="#">Stakeholder engagement</a>	No
102-42	Identifying and selecting stakeholders			<a href="#">Stakeholder engagement</a>	No
102-43	Approach to stakeholder engagement			<a href="#">Stakeholder engagement</a>	No
102-44	Key topics and concerns raised			<a href="#">Stakeholder engagement</a>	No

**6. Reporting practice**

102-45	Entities included in the consolidated financial statements			<a href="#">Reporting profile</a>	No
102-46	Defining report content and topic Boundaries			<a href="#">IntACT – Sonova’s ESG Strategy</a>	No
102-47	List of material topics			<a href="#">IntACT – Sonova’s ESG Strategy</a>	No
102-48	Restatements of information			<a href="#">Reporting profile</a>	No
102-49	Changes in reporting			<a href="#">Reporting profile</a>	No
102-50	Reporting period			<a href="#">Reporting profile</a>	No
102-51	Date of most recent report			<a href="#">Reporting profile</a>	No
102-52	Reporting cycle			<a href="#">Reporting profile</a>	No
102-53	Contact point for questions regarding the report			<a href="#">Reporting profile</a>	No
102-54	Claims of reporting in accordance with the GRI Standards			<a href="#">Reporting profile</a>	No

GRI CONTENT INDEX

102-55	GRI content index			<a href="#">GRI content index</a>	No
102-56	External assurance			<a href="#">Assurance Report</a>	No
<b>SPECIFIC STANDARD DISCLOSURES</b>					
<b>Serving society</b>					
103-1	Explanation of the material topic and its Boundary			<a href="#">IntACT – Sonova’s ESG Strategy</a>	No
103-2	The management approach and its components			<a href="#">IntACT – Sonova’s ESG Strategy</a>	No
103-3	Evaluation of the management approach			<a href="#">IntACT – Sonova’s ESG Strategy</a>	No
Own indicator	Unit sales of hearing instruments (HI) in low- and middle-income countries		3, 4	<a href="#">Serving society</a>	No
<b>Advancing our people</b>					
103-1	Explanation of the material topic and its Boundary			<a href="#">IntACT – Sonova’s ESG Strategy</a>	No
103-2	The management approach and its components			<a href="#">IntACT – Sonova’s ESG Strategy</a>	No
103-3	Evaluation of the management approach			<a href="#">IntACT – Sonova’s ESG Strategy</a>	No
401-1	New employee hires and employee turnover	6	5, 8	<a href="#">Advancing our people</a>	Yes
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities		8	<a href="#">Advancing our people</a>	Yes
404-3	Percentage of employees receiving regular performance and career development reviews	6	5, 8	<a href="#">Advancing our people</a>	No
405-1	Diversity of governance bodies and employees	1	5, 8	<a href="#">Advancing our people</a>	Yes
Own indicator	Employee engagement rate		5, 8	<a href="#">Advancing our people</a>	Yes
<b>Acting with integrity</b>					
103-1	Explanation of the material topic and its Boundary			<a href="#">IntACT – Sonova’s ESG Strategy</a>	No
103-2	The management approach and its components			<a href="#">IntACT – Sonova’s ESG Strategy</a>	No
103-3	Evaluation of the management approach			<a href="#">IntACT – Sonova’s ESG Strategy</a>	No
205-2	Communication and training about anti-corruption policies and procedures	10	16	<a href="#">Acting with integrity</a>	No
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices			<a href="#">Acting with integrity</a>	No
308-1	New suppliers that were screened using environmental criteria	8		<a href="#">Acting with integrity</a>	No
308-2	Negative environmental impacts in the supply chain and actions taken	8		<a href="#">Acting with integrity</a>	No
408-1	Operations and suppliers at significant risk for incidents of child labor	4, 5	8, 16	<a href="#">Acting with integrity</a>	No
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	4, 5	8	<a href="#">Acting with integrity</a>	No
412-1	Operations that have been subject to human rights reviews or impact assessments	1, 2		<a href="#">Acting with integrity</a>	No

GRI CONTENT INDEX

414-1	New suppliers that were screened using social criteria	2	8, 16	Acting with integrity	No
414-2	Negative social impacts in the supply chain and actions taken	2	8, 16	Acting with integrity	No
415-1	Political contributions		16	Acting with integrity	No
416-1	Assessment of the health and safety impacts of product and service categories			Acting with integrity	No
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data		16	Acting with integrity	No
419-1	Non-compliance with laws and regulations in the social and economic area		16	Acting with integrity	No
Own indicator	Product reliability rate for hearing instruments (HI) and cochlear implants (CI)		3, 9	Acting with integrity	No
Own indicator	On-time mandatory employee Global Compliance training completion rate	10	16	Acting with integrity	No
<b>Protecting the planet</b>					
103-1	Explanation of the material topic and its Boundary			IntACT – Sonova’s ESG Strategy	No
103-2	The management approach and its components			IntACT – Sonova’s ESG Strategy	No
103-3	Evaluation of the management approach			IntACT – Sonova’s ESG Strategy	No
302-1	Energy consumption within the organization	7, 8	7, 12, 13	Protecting the planet	Yes
303-1	Water withdrawal by source	7, 8	6	Protecting the planet	No
305-1	Direct (Scope 1) GHG emissions	7, 8	12, 13	Protecting the planet	Yes
305-2	Energy indirect (Scope 2) GHG emissions	7, 8	12, 13	Protecting the planet	Yes
305-3	Other indirect (Scope 3) GHG emissions	7, 8	12, 13	Protecting the planet	Yes
305-4	GHG emissions intensity	7, 8, 9	12, 13	Protecting the planet	Yes
306-2	Waste by type and disposal method	8	12, 13	Protecting the planet	No
307-1	Non-compliance with environmental laws and regulations	8		Protecting the planet	No

UNGC = UN Global Compact Principle.  
SDG = UN Sustainable Development Goal.  
All references refer to the 2016 version of the GRI Standards.



About this CR Report

# SASB content index

SASB code	Metric description	UNGC	SDG	Level of disclosure	Main reference	External assurance
HC-MS-240a.1	Ratio of weighted average rate of net price increases (for all products) to the annual increase in the U.S. Consumer Price Index		3	Omission <sup>1</sup>		No
HC-MS-240a.2	Description of how price information for each product is disclosed to customers or to their agents		3	Partial	Ethical marketing and sales practices	No
HC-MS-250a.1	Number of recalls issued, total units recalled			Full	Product quality, safety and reliability	No
HC-MS-250a.2	List of products listed in the FDA's MedWatch Safety Alerts for Human Medical Products database			Full	Product quality, safety and reliability	No
HC-MS-250a.3	Number of fatalities related to products as reported in the FDA Manufacturer and User Facility Device Experience			Full	Product quality, safety and reliability	No
HC-MS-250a.4	Number of FDA enforcement actions taken in response to violations of current Good Manufacturing Practices (cGMP), by type			Full	Product quality, safety and reliability	No
HC-MS-270a.1	Total amount of monetary losses as a result of legal proceedings associated with false marketing claims			Full	Ethical marketing and sales practices	No
HC-MS-270a.2	Description of code of ethics governing promotion of off-label use of products			Omission <sup>2</sup>		No
HC-MS-410a.1	Discussion of process to assess and manage environmental and human health considerations associated with chemicals in products, and meet demand for sustainable products	8		Full	Eco-friendly products	No
HC-MS-410a.2	Total amount of products accepted for takeback and reused, recycled, or donated, broken down by: (1) devices and equipment and (2) supplies	8	12	Partial	Eco-friendly products	No
HC-MS-430a.1	Percentage of (1) entity's facilities and (2) Tier I suppliers' facilities participating in third-party audit programs for manufacturing and product quality			Full	Product quality, safety and reliability	No
HC-MS-430a.2	Description of efforts to maintain traceability within the distribution chain			Partial	Product quality, safety and reliability	No
HC-MS-430a.3	Description of the management of risks associated with the use of critical materials			Partial	Responsible supply chain	No



## SASB CONTENT INDEX

HC-MS-510a.1	Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption	10	Full	Business ethics and legal compliance	No
HC-MS-510a.2	Description of code of ethics governing interactions with health care professionals	10	Full	Ethical marketing and sales practices	No
HC-MS-000.A	Number of units sold by product category		Adjusted <sup>3</sup>		No

UNGC = UN Global Compact Principle.

SDG = UN Sustainable Development Goal.

<sup>1</sup> Sonova does not report detailed price information on all its products in its investor reporting. However, information related to the pricing strategy is reported in the Annual Report (Strategy and businesses, compensation report, financial review).

<sup>2</sup> This metric is not applicable to Sonova's business model.

<sup>3</sup> Sonova instead reports the sales volumes by business segment (Annual Report: Notes to the consolidated financial statements – 2.2 Segment information).